FINANCIAL STRATEGY AS SUPPORT DETERMINANT FOR THE AVOIDANCE AND RESOLUTION OF DISTRESS IN THE NIGERIAN BANKING INDUSTRY

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(CUGPO40045)

A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY (Ph.D) IN ACCOUNTING OF
THE DEPARTMENT OF ACCOUNTING, SCHOOL OF BUSINESS,
COLLEGE OF DEVELOPMENT STUDIES,
COVENANT UNIVERSITY, OTA,
OGUN STATE.
NIGERIA.

JANUARY 2011

DECLARATION

I declare that:

i. This project is based on a study undertaken by me, Adegbie Folajimi Festus in the Department of Accounting, School of Business Studies, College of Development Studies, Covenant University, Ota.

ii. The research work is based on my desire to contribute to the resolution of the financial distress in the banking industry which seems to have become a phenomenon in our economy from pre-independence to date.

iii. This research work has not been submitted elsewhere for a Ph.D degree.

iv. The ideas and views herein expressed are products of research undertaken by me. The ideas and views of other researchers, authors and scholars expressed in the work have been acknowledged.

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Adegbie, Folajimi Festus

……………………………………….
Date

CERTIFICATION

We certify that this research work was undertaken and completed by Mr.ADEGBIE, FOLAJIMI FESTUS in partial fulfillment of the requirements for the award of Doctor of Philosophy (Ph.D) degree in Accounting. The research work was supervised by us and submitted to the Department of Accounting, School of Business Studies, College of Development Studies, Covenant University, Ota for the award of the degree.

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DEDICATION

This research work is dedicated to the Almighty God for His love for me and for the fulfillment of His word in my life with reference to Jeremiah 29 vs. 11 “For I know the thoughts that I think towards you , thoughts of peace, and not of evil, to give you an expected end”

ACKNOWLEDGEMENTS

I appreciate the Almighty God for depositing some potentials in my life which needed to come to manifestation. I appreciate Him for sending me to Covenant University in order for his vision for my life to come to fulfillment. I will forever remain grateful to him, worship Him and praise Him.

Without any reservation, I sincerely appreciate my two supervisors, Professor.Taiwo Asaolu and Professor E.P.Enyi who acted professionally in the supervision of the research work. Professor Taiwo Asaolu, aside from being my main supervisor, is also a good brother who encouraged me and instilled confidence in me in ensuring a great success and timely completion of the work. He passed through the perils of the road in traveling from Obafemi Awolowo University, Ile-Ife to Ota to supervise the work, read the reports and did a very positive constructive criticism which hastened the work and widened my knowledge. Professor.E.P.Enyi aside from being my co-supervisor was my head of department. He encouraged me and instilled the confidence and support needed to complete the work. He took the time to read the work and did positive constructive criticism which assisted me in the early completion of the work. I thank the two of them deeply in my heart and pray that God will always help them in their own endeavours.

My appreciation also goes to Bishop David Oyedepo, the Chancellor of this university who has used his God-given vision to ensure that the dreams of many people come to fruition through the scholarship scheme available for the training and development of leaders that will impact the Nigerian and global economies.

My appreciation equally goes to the amiable Vice-chancellor, Professor Aize Obayan and the Registrar, Dr. Daniel Rotimi who have provided good leadership to champion this realization of the vision. Their encouragement and support propelled my determination to succeed.

My appreciation further goes to the immediate past Dean of the College of Development Studies, Professor M.O.Ajayi whose advice and keen interest in the completion of my programme on time has propelled my to move faster than expected. I sincerely appreciate Professor S.O.Otokiti whose advisory capacity from the topic of the research to completion was very fundamental to the success of this work. He always reminded me that I needed the Ph.D to excel. I say thank you to Professor J.A.Bello for his wonderful support through advice and useful Ph.D research materials. I say thank you to Professor J.A.T Ojo who advised me greatly on the work, and charged me through words of encouragement to work fast and complete the programme on time. His constant interest to know the update anytime he met me on the way threw a great challenge to me to work faster. I greatly appreciate Dr. P.O.Alege who stood by me as my adviser from developing the topic stage up to completion. I appreciate Professor T.O. Fadayomi for his useful advice that has been of immense value to me. My appreciation further goes to Dr.I.O.Ogunrinola for his immense contribution to the work, his advice and for supplying me with useful materials.

The Post Graduate School has done a very good, and well focused work which helped

the timely completion of the work. I thank Professor C.O.Awonuga for always making himself available to attend to all enquiries. He is very accommodating and this has contributed to the timely completion of this work. My appreciation also goes to the Secretary of the school, Mr Kazim Lekan who works tirelessly in the Post Graduate School to ensure information dissemination to students is timely and accurate.

I wish to appreciate my colleagues in the department of Accounting whose TEAM spirit has helped the department to be well focused. It has equally helped me to plan and execute my research work with that same team spirit: Dr. (Mrs.) Bimpe Umoren, Dr.J.A.Enahoro, Mr F.Iyoha, Mr.k.Adeyemo, Mr.A.Fakile, Mr. Sam Faboyede, Dr.D.Mukoro, Mr. and Mrs.Uwuigbe, Mrs.D.Oyerinde, Mr.Ben-Caleb, Mrs.Ayo Obigbemi, Mr.U.Efobi, Mr.S.Ayodele and Miss Amaka Nwobu.I appreciate the support of Mr. Tope Fadipe the departmental secretary and Mrs. Mary Obot for her immeasurable support.

Finally, I appreciate my wife, Mrs Labake Adegbie and my children Sayo, Doyin, Femi and Tomiwa for their love, care and spiritual support all the time.

ABSTRACT

The banking sector is the bedrock of the Nigerian economy, and this industry is known to have contributed in no small measure to the development of the economy. This industry is the enabling hub of national and global payment systems, which facilitates trade transactions within and amongst numerous national, regional and international economic units and by so doing; it enhances commerce, industry and exchange. In performing these various functions in the enabling environment provided by the government through various fiscal, and monetary policies and reforms, this industry has been experiencing a phenomenal distress whereby the banking institutions could not meet their financial obligations to their customers and stakeholders, which led to the liquidation of many banking institutions, lost of deposits by depositors, lost of investments by many investors and the crisis of confidence by the general public. Various researchers and bodies including the Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) have done some works to solve this problem. The Central Bank of Nigeria (CBN) has introduced various reforms, yet this problem persists. The objective of this work is to evaluate financial strategy as determinant for sustainable performance growth and an antidote to distress in the Nigerian banking industry. The research method is empirical, and descriptive with the use of primary and secondary data from 1998-2007. Primary data were obtained from a sampled population through the use of a corporate questionnaire, and for the secondary, macro data were obtained from Central Bank and Nigerian Stock Exchange. Multivariate Analysis of variance method (MANOVA) was applied in analyzing the primary data. The results revealed the homogeneity, co linearity, and strong interrelationship between the dependent variables and the independent variables to solve distress in the three types of banks analyzed. With the results obtained, all the five null hypotheses were nullified. Multiple regression analysis was used to analyze the secondary data in conjunction with change in growth model. The results from the two statistical methods revealed a co-movement and correlation between Gross Domestic Product and Bank performance indices in the banking industry. A change in bank performance will have the same directional change in Gross Domestic Product as other sectors of the economy are also affected. The Bank performance indices are strong predictors of Gross Domestic Product. The work recommended a transformational financial strategy model in the work for implementation in the banking industry so that distress can be avoided and totally resolved. The model contains the following indices: sound corporate governance, good investment policy, effective capital budgeting, corporate planning, effective tax planning, effective budgetary control and economic profit of investment. An implementation of the model will give birth to sustainable performance growth which contains the following growth variables: adequate capital, quality earning assets, stable profitability, sustainable liquidity, enhanced dividend paid, and equitable tax liability. Other recommendations are: effective risk assets management, sound training of credit analyst, quality supervision from the industry regulators, and independence of EFCC for effectiveness. However, all stakeholders must be committed to the model and other recommendations.

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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND TO THE STUDY

In the ordinary parlance, the word distress connotes unhealthy situation or state of inability or weakness which prevents the achievement of a set goals and aspirations. A financial institution will be described as unhealthy; when it exhibits severe financial, operational and managerial weaknesses where sustainability and stability are missing in business. A business is any activity that seeks to make profit by providing goods and services to the society by using inputs from the environment and transform them into outputs that add meaning to human existence. A business can be one's regular employment, profession, occupation and can be an organization established through the pooling together of resources by various investors with the aim of providing products or services to the economy, contribute to the development of the economy and earn returns on their investments. Nigerian businesses can be classified into three major segments viz: Private enterprises, Private limited Liability Companies and publicly quoted companies. The banking sector belongs to the private limited liability companies and the publicly quoted companies. While some banking institutions are privately owned by investors, some are publicly quoted on the Nigerian Stock Exchange. The banking sector is part of Nigerian financial system, and financial system refers to the totality of the regulatory and participating institutions, including financial markets and instruments, involved in the process of financial intermediation. The major objectives of investing in the banking sector are to provide financial services to the economy and earn compensatory returns on capital employed.

The Bills of Exchange Acts Cap 21, Laws of the Federation of Nigeria 1958 states that a 'banker' includes a body of persons whether incorporated or not who carry on the business of banking. By S.2 Coins Act Cap 34, laws of the Federation of Nigeria, 1958, bank and banker mean any persons, partnerships or company carrying on the business of bankers and also any saving bank established under the Saving Bank Ordinance, and also any banking company incorporated under any ordinance heretofore or hereafter passed relating to such incorporation. S.21 (1) Nigerian Evidence Act, Cap.62, laws of Federation of Nigeria, 1958, also provides in like manner. (Olulana, 1999:16). The Banks and other Financial Institutions Act No 25 of 1991 defines bank as one licensed under the Act and banking business as the business of receiving deposits on current, saving or other similar account, and paying or collecting cheques-S.62 BOFIA. The industry is the enabling hub of national and global payments system by facilitating trade transactions within and amongst numerous national, regional and international economic units and by so doing; it enhances commerce, industry and exchange. The banking industry in Nigeria is the bedrock of the economy.

According to Onoh (2002:10-13),the establishment of modern banking in Nigeria dates back to the colonial era when the African Banking Corporation was formed in 1892 to distribute currency notes of the Bank of England for the British treasury. Subsequent developments were encouraged by colonial entrepreneurs who needed banking institutions to back up the colonial trade. In the bid to address the credit needs of indigenous entrepreneurs, Nigerians later ventured into the banking business, initially through private individuals and later through deliberate government policy. According to

CBN and NDIC (1995:1), the problem of distress in the financial sector, including bank failure, has been observed in Nigeria as far back as 1930 when the first bank failure was reported. Between 1930 and 1958 when Central Bank of Nigeria CBN was established, about 22 banks were liquidated (appendix 1). In 1992, 3banks were liquidated while in 1994, 4banks were liquidated. The degree of intensity and scope of the distress has never been as serious as has been observed since June,1989 when the Government directive to withdraw deposits of government and other public sector institutions from banks to the CBN exposed the weak financial condition of most financial institutions. This led to the increase in the number of distressed institutions and the severity of the problem has been on the increase. The intensity of the problem led to the liquidation of 26banks in 1998(appendix 2).

According to CBN (2004:1), following the deregulation of the Nigerian financial sector in 1986 during era of structural adjustment programme (SAP), the banking industry witnessed remarkable growth, both in the number of deposit money banks and other types of financial institutions. However, in the early 1990s, Nigerian banking institutions faced many challenges, including increased competition and harsh economic conditions. Against this background, the incidence of financial sector distress induced by undercapitalization, liquidity crisis and high degree of non-performing loans characterized the banking industry in Nigeria. Some of the banks were faced with the threat of liquidation, while some were resuscitated as a result of the timely intervention of the regulatory authorities.

Several measures have been taken by the supervisory agencies to tackle the problem of distress in the financial system most especially the banking industry to stem the deterioration in the financial conditions of ailing banks with the ultimate aim of restoring confidence in the financial system. These varied from financial assistance, imposition of holding actions and supervisory intervention to the outright liquidation of some distressed banks. As a way of minimizing the distress in the banking system, the Central Bank in 1990 introduced the Prudential Guidelines on early recognition of loan losses and required banks to make adequate provisions for bad and doubtful debts, a factor which was responsible for the insolvency of some banks.

The Central Bank of Nigeria explained that based on bank examination reports, the supervisory authorities drew the attention of the Boards and Managements of distressed banks to a number of shortcomings such as poor credit policy, large portfolio of non-performing assets, weak internal controls, insider abuses. All the recommendations were unheeded. The regulatory authorities had to impose holding actions on such banks, the implementation of which was time bound. The CBN in collaboration with the NDIC granted liquidity support to illiquid banks to assist them meet their obligations as and when due. This helped to achieve some measure of success and restore public confidence. Technical assistance was provided by the supervisory agencies in form of advisory services and secondment of staff when the need arose. Owing to limited success in the application of Holding Actions, the CBN assumed control and management of some distressed banks with the intention to acquire, restructure and subsequently sell them to the public. In order to sanitize the banking system and install market discipline, the licences of some banks were revoked in the system in 1992, 1994, 1998 and 2005.

According to Eghodaghe (1993) and cited by CBN/NDIC (1995), a financial institution in distress is usually one where the evaluation depicts poor condition in all or most of the five performance factors as follows:

(a) Gross undercapitalization in relation to level of operation;

(b) High level of classified loans and advances;

(c) Illiquidity reflected in the inability to meet customers' cash withdrawals;

(d) Low earnings resulting from huge operational losses, and

(e) Weak management as reflected by poor credit quality, inadequate internal controls, high rate of frauds and forgeries, labour turn-over, etc.

Based on the extent and depth of the problem, it is evident that Nigeria has been experiencing generalized type of distress. The generalized type of distress exists when its occurrence is spreading so fast and cut across all the sub-sectors of the industry but its depth, in terms of the ratio of total deposits of distressed institutions to total deposits of the industry; the ratio of total assets of distressed institutions to total assets of the industry; and the ratio of total branches of distressed institutions to total institutional branches of the industry; among others, has not adversely affected the confidence of the public in the financial system. This situation arose because of the highhandedness of the Board of Directors and Management of the various institutions. The Managing Directors and Chief Executive Officers of these banks had influencing and controlling power over operational issues which have breached the tenets of corporate governance. The four pillars of corporate governance of Accountability, Fairness, Transparency and Independence have been thrown into the dustbin. Non-compliance with monetary and fiscal policies and regulatory authorities principles and regulations have resulted into abuse of power, lack of initiative to put in place good credit policies that will aid assets and liabilities management. Fraud and malpractices and poor lending habit have been introduced into the system despite all the efforts of the regulatory authorities to sanitize the system. Despite the growth in business and volume of assets of these institutions, rather than performance growth sustainability, what is prevailing is performance deterioration and financial distress. The performance growth indices could not be sustained. The banking institutions failed to design on their own strategies that will bring sustainability and stability into the system like developing strategies that critically measure and analyze performance indices of capital, assets quality,profitability,liquidity,didvidend paid and tax paid. In 2005 December, when the Central Bank of Nigeria concluded the consolidation exercise in the industry for a new reform and transformation, only the following banks had the financial capacity to meet the minimum capital base of ₦25billion: First Bank Plc, Union Bank Plc, Zenith Bank Plc, Oceanic Bank Plc and Citibank Ltd. Others went into mergers and Acquisition options which eventually produced 25megabanks in the industry. Fourteen (14) banks whose balance sheet did not possess any value for merger or acquisition were liquidated (appendix 3).

According to Masi, (1981) cited in Agene, (1995: 56) “On the day of independence the financial system was underdeveloped and most of the complex ramifications which are integral to it today were not there. The Central Bank was only established two years before independence and up to that date, there was little or no regulation of the banking industry. Fiscal policy in colonial Nigeria was frankly rudimentary as most of the banks were foreign-owned and foreign managed, and their orientation was essentially foreign. He further explained that the two decades preceding the country's independence were therefore, a period of tremendous growth and development in this crucial sector of Nigeria economy. The Nigeria banking system may therefore be conceived as a network of monetary financial institutions which act together as a repository for the community's wealth; the interbank financial markets i.e. foreign exchange and money markets, which provide a web of debt instruments; and the framework of laws and regulations which control the flow of money and credit in time and space.

The failure of various reforms introduced in the past to resolve distress in the banking industry, makes it imperatives for a survey to be carried out to get a strategy that will be supportive or for avoidance and resolution of distress even in the face of financial reforms. For the sustainability of performance, avoidance and resolution of distress in the present Federal Government Economic Reforms where consolidation has taken place in the banking industry, this research work was chosen to assess this problem of financial distress that has posed a big challenge with a view to getting a permanent solution. It is high time we moved from generalized distress to stability and sustainability and avoid systemic distress which is imminent with the sack of eight (8) Managing Directors and Chief Executive Officers of the following banks in 2009: Intercontinental Bank Plc, Oceanic Bank Plc, Afribank Plc, Finbank Plc, Union Bank Plc, Bank PHB, Spring Bank Plc and Equatorial Bank Ltd. They were sacked for the manifestation of distress syndromes in their banks with erosion of their capital base, threats to depositors' funds, high figures of non-performing loans and advances in relation to total loans and advances in the banks and clear manifestation of poor corporate governance. The Central Bank of Nigeria had to inject N620billion as bail-out capital pending recapitalization. According to Balino (1991) as cited in CBN/NDIC (1995:32) systemic distress is when its prevalence and the contagious effects become endemic and pose some threats to the stability of the entire system, with its attendant negative effects on the nation's payment system, saving mobilization, financial intermediation process and depositors confidence, and under this situation, the ratios of the relevant variables should have risen to a level that public confidence in the system would be completely eroded.

1:2 STATEMENT OF THE PROBLEM

According to Hamel and Prahalad, (1994:5-8) the painful upheavals in so many companies in recent years reflect the failure of one-time industry leaders to keep up with the accelerating pace of industrial change.

From the evolution of the banking industry, the industry gained astronomical growth in the number of commercial and merchant banks from 11 in 1960 to 120 with a total of 2,107 branches at the end of 1992 and above 2,500 in 2005. This phenomenal growth and expansion in the activities of banks resulted in successes and failure of banks. Despite the robust growth in financial institutions and assets and profitability, some problems remained while new ones developed, the most prominent being the *financial institution distress*.The banking institutions could no longer meet their financial obligations to their customers and various stakeholders. It is evident that distressed banks were liquidated, depositors lost their deposits, investors lost their various investments, stakeholders lost their holdings and other sectors of the economy were adversely affected economically. Between 1990 and 2005, the financial distress was of greater intensity, both in scope and depth. During this period, confidence in the banking sector waned as the table 1 below shows the data of liquidated financial institutions during the period:

TABLE 1:1 NUMBER OF LIQUIDATED DISTRSSED BANKS IN NIGERIA

S/N	Year	Number of Banks
1	Pre-Independence	22
2	1992	3
3	1994	4
4	1998	26
5	2005	14

Source: CBN, 2002, 2006 Annual Reports

According to Ugwu, Olajide, Ebosede, Adekoya, Adepetun, and Oji(2009),the post 2005 consolidation exercise recorded the following problem :

1. The Central Bank of Nigeria sacked the Board and Management of Spring Bank Plc on January 5, 2007 for technical distress and falsified mergers and acquisition reports.

2. The Central Bank of Nigeria sacked the Managing Director of Wema Bank Plc in March 10, 2008 for technical distress and lack of transparency in reporting

3. In August 14, 2009, the Managing Directors of the following banks were sacked for technical distress, poor corporate governance, destructive investment policies that had eroded the capital base and eating deep into customers deposits, growing poor quality assets that earned no income and breach of budgetary control policies: Intercontinental Bank plc, Afribank plc, Finbank plc, Oceanic bank plc, and Union bank plc.

4. In October 6, 2009, the Managing Directors of the Bank PHB plc, Spring Bank plc and Equatorial Bank plc were sacked in similar manner.

5. To avoid waning of public confidence and runs in these affected banks and other institutions in the industry, the CBN had to quickly inject ₦620 billion in all the eight affected banks to keep them running.

The following are the factors that characterize the problems identified above.

1.Non-compliance with the various monetary and fiscal policies which gave room to abuse of power, manipulations of figures, lack of transparency in their reports to CBN and outright fraud.

2. There were absence of financial strategies in the industry that gave room for continuous appraisal of performance in order to sustain performance growth. Sustainable performance growth should meet the needs of the present without compromising the ability of the future generations to meet their own needs. The present growth of business in the industry has not been sustained to be able to prepare them for the future.

3. The following sustainable performance growth strategies are either not instituted, poorly instituted or not reviewed during implementation thereby producing negative results: corporate governance, investment policy for effective assets and liabilities management, capital budgeting system, corporate planning, tax planning for effective fund management and payment of equitable tax, budgetary control and consideration for economic profit of investment.

4. Absence of responsibility accounting where key performance indices are reviewed and variances analyzed and corrected to ensure better performance and sustainable growth. Such indices are capital, assets, profits, liquidity, dividend paid and tax paid. That was why during consolidation and recapitalization, only five (5) out of eighty nine (89) banks could meet the minimum capital of ₦25billion. The implication of this is that 84 banks were distressed. The mergers and acquisitions option created opportunities for 70banks which were technically distressed to go for the option. 14 banks with total distress and

whose cases were beyond redemption went into liquidation. This was a position of inadequate capital base and worthless assets values for purchase/merger considerations. CBN had to revoke their operating licences (Ugwu, Olajide, Ebosede, Adekoya, Adepetun and Oji: (2009)

5. According to CBN and NDIC(1995) collaborative study, overhang of non-performing loans and advances, capital inadequacy, non-compliance with monetary policies, poor corporate governance, poor planning and control, lack of financial transparency, poor asset and liability management, macro economic instability, political instability, inadequate legal framework and economic recession are the contributing factors to distress in the system

6. As the Gross Domestic Product (GDP) is the measure of total money value of all the goods and services produced in a country at a particular period of time, the contribution of the banking industry to the GDP has been affected by the distress. The position of the industry which occupied 3rd in contribution prior 1990 dropped as a result of the distress. Table below shows the evidence.

TABLE1. 2: FINANCIAL INSTITUTIONS CONTRIBUTION TO GDP

Year	% Contribution	Position in economy	Industry No
1998	3.97	5th	33
1999	4.06	5th	33
2000	4.03	5th	33
2001	4.02	4th	33
2002	4.97	4th	33
2003	4.12	4th	33
2004	3.96	4th	33
2005	3.81	4th	33
2006	3.77	4th	33
2007	3.22	5th	33

Source: CBN Annual Reports (2007)

The distress in the industry has affected negatively the percentage contribution of the industry to the Gross Domestic product and also dropped to 5th position out of 33 industries in the economy. The CBN records revealed that if distress is resolved, the bank performance contribution to GDP will be better than the present position.

7. Mismatch of assets and liabilities*:* The banks financed long term projects with short terms funds thereby created illiquidity problem. According to 2005 Central Bank report, the total assets to total available funds of distressed banks was 124.09% in 1995, and 154.47% in 1996. The industry position was 178.27% and 176.23% in1995 and 1996 respectively. The position for the unsound banks was 2,514% in 2003 and marginally unsound bank was 159.67% while the industry was 207.10%. In 2004, the position was 885.87% for the unsound banks, 186.67% for the marginally unsound banks while the industry was 223.64%. With these figures, there is clear evidence that these banks had liquidity problem which metamorphose into financial distress.

Despite the efforts of regulatory authorities to revitalize the affected institutions, Nigeria banking industry continued to witness this financial distress even after consolidation. Moreover, copious studies like those reports and early warning signals on the vulnerability of the banking system in Nigeria, comparatively, little has been done to provide a comprehensive assessment of the causes and strategies for the avoidance and resolution of the problem so that the industry can fully take its position as the bedrock of the national economy.

1:3 OBJECTIVES OF THE STUDY

Financial distress has been a phenomenal event in Nigerian banking industry from pre-independence to date which seems to have defied all past economic reforms of Federal

Government of Nigeria and Central Bank of Nigeria. The main objective of this study is to evaluate financial strategy as antidote to distress in the banking sector. In doing this, the study shall:

i. evaluate the strength of the relationship between financial strategy and sustainable performance growth in the banking industry.

ii. examine the sustainability of the growth in the Nigerian banking industry by evaluating the relationship between strategic planning (corporate governance, capital budgeting, budgetary control, tax planning and corporate planning) and performance.

iii. assess the investment policies in the banks with a view to suggesting better policy for better management of assets and liabilities in the banking industry,

iii. examine the relationship between Bank performance and Gross Domestic Product (GDP) with a view to determining the co-movement between the two.

1:4 RESEARCH QUESTIONS

The pertinent questions which this research work addressed therefore are:

i. To what extent is the relationship between financial strategy and sustainable performance growth in banking industry?
ii. To what extent will strategic planning impact on the performance of banks in Nigeria
iii. To what extent are the existing investment policies of banks assisting in the quality of management of assets and liabilities in the banking industry?
iv. What is the relationship between bank performance and Gross Domestic Product?

1:5 STATEMENT OF HYPHOTHESES

Usually an hypothesis is formulated with the aim of nullifying it and rendering the hypothesis insignificant.

The following are the hypotheses for this work:

1. H_0: There is no relationship between financial strategy and sustainable performance growth for avoidance and resolution of distress in the banking industry. .

2. H_0: There is no relationship between strategic planning and business failure and bank liquidation in the banking industry.

3. $H_{0:}$ Strategic planning and performance do not affect sustainability and stability in the banking industry

4 $H_{0:}$ Investment policies do not affect assets and liabilities management in the banking industry.

5. $H_{0.}$ There is no co-movement between bank performance and Gross Domestic Product.

It is to be noted that hypotheses 2 and 3 were formulated from objective 2 because strategic planning and performance could produce business failure and liquidation if not properly implemented, and could produce stability and sustainability if properly implemented.

1:6 SCOPE OF STUDY

The population for this study is the banking industry, which is the financial bedrock of Nigerian economy and consists of the 24 universal banks, the discount houses, the mortgage banks and the micro-finance banks; the two banking industry regulators-CBN and NDIC; capital market regulator –NSE, and two professional bodies that control ethics in the banking industry-Institute of Chartered Accountants of Nigeria (ICAN) and Chartered Institute of Bankers of Nigeria (CIBN). Before 2002, there were operations of commercial banks in Nigeria until the reform in the financial sector converted all to universal banks. For the purpose of this work, the operations of all the commercial banks from 1998 to 2002 were taken into consideration as commercial banks, and the operations from 2002 to 2005 were considered as universal banks. The operations of the 24megabanks for 2006 and 2007 were considered as universal banks for adequate data and comprehensive analysis.

Sample Size:

The sample selected consists of the present 24megabanks (universal banks) in the economy which resulted from the consolidation that took place in the banking industry in 2005, and the 5 regulators in the sector. The decision to focus on universal banking is judgmental and purposive because the sector is the major financial bedrock that services the economy and the recorded distress and liquidation in the economy are majorly from this sector which has shaken the root of the nation. Furthermore, since the issue of distress affects the whole economy, it is professionally right to involve all the banks because 89 banks reduced to 24 because of the problem of distress required adequate data that cut across the period before mergers and acquisitions and the post consolidation period. Five of the regulators were added to the sample for relevant information necessary for the work thereby making the sample size 29 corporate bodies.

Geographical Coverage:

Even though this study was designed to cover the universal banks in the entire economy, it was however limited to Lagos and Abuja due to sampling constraints. Lagos is the headquarters of all the banks with the exception of Unity Bank Plc which is based in Abuja. The design of the study required that the primary and secondary data be obtained from the headquarters of the banks. Each banking organization is treated as a corporate entity in the samples selected. The five regulators are also located in Lagos and Abuja

Time Horizon:

The time horizon for this study was 10years from 1998 to 2007 in which the audited accounts for this period were analyzed and interpreted.

The Situs:

Covenant University was used as data collation and analysis center.

1:7 SIGNIFICANCE OF STUDY

The importance of this research cannot be overemphasized in view of what the banking industry has witnessed before independence and post independence in the areas of economic recession, distress in the industry, collapse of banks and the inability of Nigerian banks to integrate into the global economy (Soludo: 2004,p.48). The present economic reforms of the Federal Republic of Nigeria have affected the banking industry very greatly. With the efforts of the Federal government for favourable and good environment for all banking operators and various investors in the economy and for the banks to play active developmental roles in the Nigerian economy and be competent and competitive players in the African and global financial system, there was the need for this research work. The "financial distress" which has become a feature must be eradicated and become history. The project was designed to benefit the following operators of the economy:

(i).It will form a theoretical focus as a basis for solving any form of distress in the financial sector of the economy. The various financial strategies will become concepts for sustainable performance growth in the economy.

(ii).The Management of various banks operating in the economy will benefit immensely from this work. The recommendations contained therein about financial strategy, as necessity for sustainable performance growth in the banking industry will be of immense benefit to them. They will be able to review their objectives and take a critical look at the internal and external resources to achieve the set objectives. They will perform a critical analysis of their weaknesses, opportunities and threats to be able to prepare a realistic budget and put in place necessary financial strategies that will ensure growth and continuity of businesses in the economy. They will be able to put in place budgetary control strategies on the management of their risk assets that can guarantee good earnings, sound liquidity, growth in capital and guide against distress. They will have the opportunity to learn from past mistakes and misjudgments. The model introduced in this work will form basis of the new transformation agenda.

(iii).Researchers and various universities will benefit from the work. The indices of sustainable performance growth in an economy will help them in their research work, publications, conferences and seminars. This thesis will also assist them to conduct further research in other areas highlighted in the last chapter of this work.

(iv).The professional bodies will benefit as basis for policy formulation and enhancement of their curriculum in order to be relevant in Nigerian economy.

(v).Potential investors and existing investors will benefit, as it will help them in their planning and the execution of various plans concerning new investment and diversification of investment in the banking industry.

(vi).The government will benefit immensely as they have the responsibility of providing enabling environment for all operators in the economy. They will have to put all the various financial strategies into consideration in formulating policies and regulations for the economy. The government will benefit most especially in the areas of corporate governance, which has been a major problem in the public sector, and tax planning, as many operating companies in the economy are known to be evading and avoiding taxes, according to Chartered Institute of Taxation of Nigeria CITN (2005). It will assist them in the proper planning of their tax system to avoid leakage. The work will have a significant impact on the economy.

1.8 PREVIEW OF RESEARCH METHODOLGY

The study is an empirical work which applied on samples chosen from population to evaluate the impact of financial strategy for sustainable performance growth in the Nigerian banking industry in order to avoid and put an end to financial distress. The population for the study is the banking industry which consists of universal banks, the mortgage institutions, the micro-finance banks, the discount institutions, and the various regulators in the industry viz: CBN, NDIC, ICAN, CIBN and NSE. Using Judgmental and purposive sampling techniques, the study covers all the 24 consolidated Universal banks in the economy plus five regulators because of data collation and analysis. Primary and secondary data were used for the study. The instrument for the primary data is a corporate questionnaire developed for field work on the five stated hyphotheses, while Macro data for ten years from 1998 to 2007 were obtained from Central Bank of Nigeria (CBN) Annual Statistical Bulletin, Nigerian Stock Exchange Facts Book, and Nigerian Deposit Insurance Corporation (NDIC) Annual Bulletin for the secondary data. In the secondary data, we considered the data of all the commercial banks from 1998 to 2001,universal banks from 2002 to 2005 and megabanks for 2006 and 2007.This is to enable us analyze the complete macro data for the industry between 1998 and 2007. The primary data were analyzed using Multivariate Analysis of variance (MANOVA) which is a parametric test technique. The secondary data which were the bank performance performance from 1998 to 2007 were analyzed using two principal statistical tools viz:

Multiple linear Regression and Analysis of growth change in dependent and independent variables. Multiple linear regression was applied in finding the relationship between the independent variables and the dependent variables with a view to computing their significant ratios, homogeneity and the Analysis of Variance (ANOVA) to determine the co-linearity of the variables. The second method used was to determine the co-movement between the dependent and independent variables, analysis of specific trends in their growth changes over two-five years period and the ten years period.

1:9 OPERATIONAL DEFINITION OF TERMS:

The following terms are defined for easy understanding by readers, and users of this work:

Acquisition: The gaining of something for oneself. The system where a bigger bank buys over smaller or weak banks to add to its value, skill and gain synergy in business.

Avoidance: Measures taken in advance to avoid an unpleasantness in business.

Antidote: Something that helps to improve the effects of something bad.

BOFID: Banks and other Financial Institutions Decree 1990.A decree which is to guide the operations of banks in Nigeria economy which later became an Act. (BOFIA)

Benchmark: A reference point for making measurement.i.e where a bank chooses another better performing bank as a standard that its activities can be compared with.

Channelization of Money: This is a system that connects two sectors together in the economy for easy access to cash and savings, i.e by connecting surplus sector to the deficit sector.

Consolidation: The process of strengthening a captured position to become solid, as it took place in Nigeria in 2005, which reduced 89 banks to 25 and further to 24. It is to a position of success stronger so that it is more likely to continue in business.

Creation of Money: This is a process of wealth creation through the bank services by taking deposits from investors and extending credit facilities to intending borrowers to create another deposit in circulation.

Dearth of banking legislation: This is a situation where the banking sector of the economy is operating without legislation or is in short of legislation to guide operations.

Determinant: Decisive element or determinant factor

Financial Distress: This is an insolvency/illiquid situation in a financial institution where it can no longer meet its financial obligations to the stakeholders.

Financial Strategy: This is the application of accounting tools, skills and techniques to achieve the corporate objectives and goals and to ensure an organization achieves a sustainable performance growth and stability in the industry.

Forbearance: To profess an effective legal framework needed to protect authorities, to provide clear signals to the private sector, and to force policy makers to act promptly during financial distress. To endure taking advantage of the strength of the authorities.

Growth: This is the process of growing or development and increase in size. Growth is when securities of investments are expected to increase in value due to expansion of the industry or the company.

Generalized Distress: This is the distress that exists when its occurrence is spreading fast and cuts across all the sub-sectors of the industry, but its depth, in terms of ratios of total assets, total deposits, and total branches to the totals in the industry has not adversely affected the confidence of the public in the financial system.

Heterogeneity: When the variables relevant to analysis composed of different or disparate ingredients/elements.

Moral Hazard: A damage or problem experienced by an organization following the practice of the standards of behaviour considered acceptable and right by most people not on legal rights or duties.

Painful Upheavals: This is a big change in the operations of a business that causes a lot of confusion and problems and therefore results into an unpleasant situation.

Performance evaluation: To determine and assess what is accomplished in a task, by comparing actual results with predetermined expectations with a view to reviewing or instituting more controls for corrective measure or to deplore more resources for performance enhancement.

Sustainable Performance Growth: This is the performance that meets the needs of the present without compromising the ability of future generations to meet their own needs .It is a time path whose sustainability over the future is never less than its current consumption/position.

Repository: This is an organization like bank where a large number of things can be kept and where full information required for a certain purpose can be obtained.

Strategy: The process of planning or carrying out a plan in a skillful way so as to achieve a purpose. Creative positive ideas in order to achieve some objectives in the industry

Sustenance: The power to keep something/business alive, prevent from falling, from collapsing and making it to continue to exists.

Support: To prevent from sinking, and to be actively in favour of a course

Systemic Distress: Is a problem that gives serious concern to the relevant supervisory/regulatory authorities when its prevalence and the contagious effects become endemic and pose some threats to the stability of the entire system, with its attendant negative effects on the nation's payment system, savings mobilization, financial intermediation process and depositor's confidence.

Transformation: The process of changing the fortune, the character of organization to metamorphose especially so that it is better.

Resolution: The quality of not allowing difficulties or opposition to affect one's purpose.

CHAPTER TWO
LITERATURE REVIEW

2:1 INTRODUCTION

Strategy is grounded in the array of competitive moves, and business management of an organization depends on how to produce successful performance. Strategy, in effect is management's game plan for strengthening the organization's position, pleasing customers, and achieving performance targets. Strategy includes the goals and major policies of the organization. Managers device strategies to guide how the company's business will be conducted and to help them make reasoned, cohesive choices among alternative courses of action. The strategy managers decide or indicate that among all the paths and actions we could have chosen, we decided to follow this route and conduct our business in this manner. Without a strategy, a manager has no thought-out course to follow, no roadmap to manage by, no unified action program to produce the intended results. Indeed, good strategy and good strategy execution are the most trustworthy signs of good management.

Thompson and Strickland (2005:3) stated that managers must combine good strategy making with good strategy execution for company performance to approach maximum potential. Financial strategy is a combination of financial tools for the reengineering of an organization towards achieving the maximum potentials.

They highlight five tasks of organization strategy which include:

i. Deciding what business the company will be in and forming an strategic vision of where the organization needs to be headed. In effect, this is infusing the organization with a sense of purpose, providing long-term direction, and establishing a clear mission to be accomplished.

ii. Converting the strategic vision and mission into measurable objectives and performance targets.

iii. Crafting a strategy to achieve the desired results.

iv. Implementing and executing the chosen strategy efficiently and effectively.

v. Evaluating performance, reviewing new developments, and initiating corrective adjustments in long-term direction, objectives, strategy, or implementing in light of actual experience, changing conditions, new ideas, and new opportunities.

2.2 THE EVOLUTION OF BANKING IN NIGERIA.

The evolution of banking in Nigeria has been brought to fore to study deep into the history of banking and bring out the salient points that led to the various crisis the industry has been passing through from pre-independence to date.

2.2.1.***The Colonial Era 1892-1957*****:**

Lagos Colony was colonized by the British in 1861, and banking was introduced into Nigeria when the African Banking Corporation (ABC) was established in 1892.The operations of ABC were later taken over in 1894 by the British Bank for West Africa BBWA (which later became Standard Bank and subsequently, First Bank of Nigeria). The period which pre-dated the attainment of national sovereignty and the establishment of the Central Bank of Nigeria is viewed here as the colonial era.

According to the collaborative study carried out by Central Bank of Nigeria (CBN) and Nigerian Deposit Insurance Corporation (NDIC) (1995:2-6), this era was a period of free banking. The early stages of the Nigerian financial system were synonymous with commercial banking, and owing to Nigeria colonial heritage, not only were the pioneer commercial banks of foreign origin but also the banking system itself were designed to facilitate colonial business interests. The period is usually referred to as the era of "free banking" or period of banking boom" in Nigeria because, apart from the complete absence of any laws governing the establishment and running of the banks during this period, the setting up of banks was not related to the capacity of the economy to effectively absorb the sharp growth in financial assets. Consequently, most of the banks were hurriedly established and they also hurriedly went into voluntary liquidation or were closed down by the police.

According to Agene,(1995)) this era was characterized by the dearth of banking legislation and regulations or directives which resulted in banking becoming a free-for-all affair leading to gross misconduct and abuses. The second bank that was set up in Nigeria was the Anglo-African Bank established in 1899. It was renamed Bank of Nigeria, which was in competition with BBWA. As analyzed by Agene, Bank of Nigeria was absorbed by BBWA in 1912 when West African Currency Board (WACB) was formed. Colonial Bank, based in West Indies opened business in Lagos in 1916. It was taken over by Barclays Bank, Dominion, Colonial and Overseas (DCO) now known as Union Bank of Nigeria Plc.

CBN and NDIC's (1995) collaborative study reveals that several other foreign and a host of indigenous banks were established. The establishment of indigenous banks was initially propelled largely by nationalistic consciousness rather than the existence of relevant resources, including basic skilled manpower for running such institutions.

Consequently, most of the early indigenous banks collapsed in rapid succession, the way they were established. Banks that failed during this period were largely those with problem of inadequate capital, fraudulent practices and bad management. Appendix 1 shows the list of failed banks during this era.

According to Olalusi (1992), discriminatory lending practices by expatriate banks spurred indigenous entrepreneurs into banking; it was the imperatives of economic nationalism and economic development which were primarily responsible for government interest in banking. As the country prepared for political independence in 1960, efforts to establish banks were intensified by some nationalist who rightly recognized the pivotal role banks play in economic emancipation and development. This also accounted for the takeover of the surviving indigenous banks by the regional governments; particularly after 1954.The banks were expected to accelerate the economic and social development of the regions by bringing banking services to the doorsteps of the people in the regions. It was unfortunate that the establishment of the government owned banks, which started out, as a blessing to indigenous banking became its bane. The regional governments, which were later, succeeded in the 1970s by state governments were over the years blamed for the insurmountable problems, which the state-owned banks experienced.

According to Olulana, (2000: 6-7) and was corroborated by CBN and NDIC's study, in 1952 the Nigerian government took the very first step to make regulative legislation on banking. This was expected to curb the excessive activities of the bankers and provide a remedy for the losses then suffered by innocent banking public. Thus the banking Act 1952 was put in place as premier legislation on banking business in Nigeria. The authorized capital for indigenous banks by this Act was ₤25, 000, but could commence operations after paying ₤12, 500, and for expatriate banks, minimum capital was ₤100,000. The Central Bank Act 1958 was passed in 1958, which created the apex bank in Nigeria for the first time. The major characteristic of the colonial era was the unregulated banking practice, which led to the phenomenal distress and liquidation of banks. Onoh, (2002:15-30) in his study gave the following reasons for the collapse of the pioneer indigenous banks:

1. Absence of regulatory authority and lender of last resort. The West African Currency Board (WACB) established in 1912 was not endowed with regulatory and supervisory powers.

2. Undercapitalization and over branching.

3. They carried disproportionate overhead bills, which generated debt equity ratios inconsistent with the level considered appropriate for sound banking operations.

4. Poor management and fraud. They practiced lending without scrutinizing the credit worthiness of borrowers. Advances were made to finance activities, which yielded no returns; fraud was rampant because there was no supervisory authority to detect frauds.

5. Poor customer Patronage. Colonial government patronage could not be attracted because expatriate firms patronized only the expatriate banks to the neglect of indigenous banks.

6. Poor liquidity. There was no authority to establish and enforce a minimum liquidity ratio for the banks and to demand monthly or periodic information on the ratio. There was no definition of what should constitute the liquid assets of banks until the Bank Act of 1962 when this was stated and approved.

7. Poor quality manpower. Because of the inexperienced management personnel, indigenous banks were unable to carry out balance sheet analysis for detecting potential capital or liquidity problems. There were no statistical analysis of the trends of deposits, bad and doubtful debts and their implications to the banks operations.

2.2.2*. The Independence Era 1957-1970:*

According to CBN and NDIC(1995) collaborative study on distress in the financial system, the appreciation of the developmental role of a stable and efficient financial system was demonstrated by the concerned efforts to have a central bank established for Nigeria in spite of the reluctance of the colonial authorities. These efforts culminated in the enactment of Central Bank of Nigeria Act in 1958 and the commencement of operations of the Bank in July 1959. This period coincides with the nationalistic struggle for self-rule and independence. According to Agene, (1995:61-62) the shortcomings of West African Currency Board provided a very strong basis for the agitation for the founding of the Central Bank of Nigeria (CBN). The establishment of the Central Bank of Nigeria and its commissioning of the first set of indigenous currency notes and coins on 1st July 1959 is regarded as an important watershed in the annals of banking in Nigeria, since most foundations of the Nigerian money and capital markets were laid in that year. According to the CBN (2000:122-155) the Central Bank Act of 1958 which established the Central Bank of Nigeria, conferred on the Bank a number of functions and powers to control the operations of banks. This Act has been amended on several occasions to reflect changing economic circumstances and thereby give the Bank the necessary tools to deal with the changing economy. Within this period also, the Investment Company of Nigeria (which was restructured to form the Nigerian Industrial

Development Bank, which became Nigeria's pioneer development bank) was established in 1959. Four commercial banks were also established in 1959 namely: (a). Banque de l'Afrique Occidentals formerly called Bank for West Africa but subsequently changed to the International Bank for West Africa Limited (now Afribank PLC),(b). Bank of Lagos which surrendered its licence in 1965, (c). Berini (Beirut-Riyad) Bank,and d.Bank of the North.

A further analysis showed a major development of the introduction of merchant banking services into Nigeria during the independence era. The Nigeria Acceptances Limited (NAL) was set up in 1960 to perform the function of a discount house and became the pioneer merchant bank in Nigeria. The political uncertainty which led to the outbreak of a civil war in 1966, and which lasted until January 1970, made it impossible for the granting of new licence for bank establishment between 1962 and 1970. (CBN, 2000)

2.2.3***. The Indigenization Era 1970-1985:***

According to Ogowewo (1995:915-926) Nigeria had in the past had a certain distrust of foreign investment. Reflecting the dependency theory of foreign investment, this distrust led to the enactment of "anti-investment laws" in the 1970s. The view was that foreign control of significant sectors of the economy tended to impede economic development. The restrictive approach to foreign investment was also informed by the experience of colonial rule, under which the economy was controlled substantially by foreign investors, and this trend continued even after independence. The Nigerian government attempted to reverse this pattern of ownership and control by indigenizing the economy. A systematic policy emerged with the Second National Development Plan (1970-1974), which embodied the first national policy on indigenization. To carry out this policy; the Nigerian Enterprises Promotion Decree 1972 was promulgated. The policy it adopted was one of restricting foreigners to designated areas of the economy and compelling their divestment from areas of the economy in which they were now barred.

Agene, (1995:62-64) explained that the following programmes and activities characterized the period: economic reconstruction and development, government incursion into the banking scene, indigenization and rural banking. At the end of the Nigerian civil war in January 1970, the nation embarked on post war reconstruction and development, setting the stage for the indigenization of the country's financial system, particularly the banking sector which occupies the commanding heights of the nation's economy. Indigenization has been broadly defined as an evolutionary process by which the natives of a country are enabled and are seen to acquire ownership, control and management of their economy (Nwankwo, 1980 as cited in Agene, 1995:62). The period heralded the establishment of state-owned banks by the governments of the twelve states of the nation, and was complemented by the formation of more development banks by the Federal Government. The following development banks were established to complement the efforts of the Nigerian Industrial Development Bank: (a). Nigerian Bank for Commerce and Industry (NACB) was set up in April 1973 to provide equity capital and loans to indigenous persons and organizations engaged in commerce and industry, for long and medium term investment, (b). The Federal Mortgage Bank of Nigeria was constituted in July 1977 from the Nigerian Building Society, which had operated for twenty years previously. (c) The Nigerian Agricultural Bank was established in 1973 but restructured in 1978 to include the finance of co-operatives and therefore renamed the Nigerian Agricultural and Cooperative Bank (NACB).

This period was also characterized by the rural banking scheme, which was recommended for establishment by Okigbo Financial Systems Review Committee in 1976. According to Olalusi, (1992:285-289) the Committee saw the need for rapid transformation of the rural environment through deliberate policies which would promote rapid expansion of banking services in the rural and near rural areas and hence recommended that: “the banks should actively facilitate the transformation of the rural environment by promoting the rapid expansion of banking facilities and services and banking habit in the rural and near rural communities. They will thus serve as paying and receiving stations for hand-to-hand currency and provide facilities for remittances. They will provide savings deposit facilities for their customers and thereby help to mobilize rural savings. Most important of all, they will serve as vehicles for the creation of credit in the rural areas, this credit will take the form of equity and loans for small scale farmers and entrepreneurs” The analysis by Agene (1995) shows that the overall impact of the rural banking programme and other related policy measures adopted during the period, was that the number of licenced commercial and merchant banks rose from 14(excluding development banks) in operation at the close of the independence era in 1970 to 45, while the number of their branches reached 1,323 by December,1985.

Ajeigbe, (2009:10) stated that the nationalization of the major banks also heightened focus on compliance with the allocative policy on lending in accordance with the Banking Decree No.1 of February 1969.Thus, direct control measures such as sectoral credit guidelines and interest rate controls were used to influence allocation of resources to the public and preferred sectors of the economy, notably agriculture and manufacturing. Nigerian banking during the indigenization era was fairly stable as Government was unwilling to allow banks in which they had interest to fail no matter their financial condition and or quality of management.

2.2.4. ***The Privatization and Commercialization Era 1986-1992:***

According to CBN, (2000:28-30) the demand management policies, which were pursued between 1981 and 1985, did not restructure production and consumption patterns in the national economy, it became necessary to introduce a structural adjustment programme (SAP) by 1986. The structural adjustment programme was introduced, among other reasons, to intensify the growth potential of the private sector. Ajeigbe, (2009:11-16) explained that the deregulation of the financial system was embarked upon in 1986 as part of the Structural Adjustment Programme (SAP).The sharp fall in oil revenues in the first half of the 1980s, accumulated trade arrears and increased debt service burden had precipitated an economic and consequently, liberalization of some of the controls over the financial markets. The Central Bank of Nigeria issued new Prudential Guidelines in November 1990 to ensure proper credit classification and income recognition, as part of the measures to promote financial health of banks. The relaxed licensing requirement had led to the establishment of 79 banks between 1986 and 1991, and the CBN, in the light of the emerging signs of distress, suspended licensing of new banks with immediate effect. The Banking and Other Financial Institutions Decree (BOFID) was also enacted in 1991 to strengthen and extend the powers of the CBN to cover the new financial institutions. BOFID Decree No.25,1991 replaced Banking Decree No.1,1969.

According to CBN and NDIC (1995:5-6) collaborative study, the introduction of Structural Adjustment Programme (SAP) was a deliberate response to the severe distortions that had characterized the Nigerian economy, especially since 1982. The central focus of the economic reform programme was the dismantling of controls in the economy, including the financial sector which was expected to play a pivotal role in the reform process. The major objective of the deregulation of the banking industry was to enhance economic efficiency and effective resource allocation through service-driven competition and improvement in quality and spread of banking service delivery. According to the study, the key measures introduced included the following:

a. Relaxation of the conditions for licensing new banks. This led to a phenomenal growth in the number of banks in Nigeria; from 41 in 1986 to 119 in 1991.This phenomenal growth resulted in several challenges for the industry and subsequently forced the Federal Government to place an embargo on the licensing of new banks, effective April 1991.

b. The introduction of the Inter-bank Foreign Exchange Market (IFEM) and the establishment of the system of Foreign Currency Domiciliary Accounts, which led to increased earnings for many banks.

c. Deregulation of the interest rate regime resulting in the unprecedented rise in lending rates which was a great disincentive for long-term investment although it encouraged significant increase in savings mobilization. Enhanced interest rate management was introduced through the following measures: all controls on interest rates was removed in

August 1987 with CBN fixing only its minimum rediscount rate (MRR) to indicate its desired direction of interest rates.; prescription in 1991 of a maximum margin between each bank's average cost of funds and its maximum lending rates with a later prescription of savings deposit rate and maximum lending rate; restoration of partial deregulation in 1992(banks only required to maintain a specified spread between their average cost of funds and their maximum lending rates);removal of maximum lending rate ceiling in 1993;restoration of direct interest rate controls in 1994.

d. Promulgation of new CBN and Banks and Other Financial Institutions Decree 24 and 25 of 1991, respectively, to strengthen the regulatory and supervisory capacity of the CBN.

e. Establishment of the Nigerian Deposit Insurance Corporation (NDIC) with the promulgation of Decree 22 of 1998, to safeguard customer deposits and promote banking stability.

f. Licensing of Discounting House to enhance efficiency in money market operations.

g. Re-introduction of Stabilization Securities as an instrument for checking excess bank liquidity.

h. Introduction of Open market Operations (OMO) to influence the level of liquidity in the economy in place of the inefficient direct control through credit ceiling.

i. Establishment of the Nigerian Inter-bank Settlement System to enhance inter-bank market transactions and ensure a more efficient payment system; and

j. Promulgation of the failed Banks (Recovery of Debts) and Financial Malpractices in Banks Decree 18 of 1994 to help sanitize the financial services industry.

2.2.5***. Bank Rehabilitation and Restructuring Era (1992 to date):***

According to Agene (1995), state governments-owned banks had shown signs of financial distress since the late 1980s, but government's posture that banks should not be allowed to fail postponed the doomsday for such banks. The rapid upsurge in the number of licensed banks between 1987 and 1991 together with the creation of specialized financial institutions like community banks, which numbered 1050 by July, 1994 and the peoples Bank of Nigeria which opened 271 branch offices between 1989 and 1994, heightened competition for both funds and manpower in the banking industry. Furthermore, the withdrawal of about ₦6billion in respect of credits backed with foreign collaterals and the transfer of government's deposits away from the licensed commercial and merchant banks to the Central Bank of Nigeria in 1989 caused panic in the banking system. This necessitated a joint Nigerian Deposit Insurance Corporation NDIC and Central Bank of Nigeria CBN accommodation facility to the tune of ₦2.3billion for thirteen banks. Since then, the banking industry has witnessed a steady increase in the number of financially distressed banks .The number of insolvent banks grew from seven in 1988 to 16 in 1992 and rising further to over 40 in 1994.

Onwumere, (2005:10-13) argued that countries embark on economic policies, plans, programmes and reforms in order to enhance the growth and development of their economies. While economic growth generally refers to increases over time in a country's real output per capital conveniently measured by increases in a country's per capital Gross National Product (GNP), economic development can be viewed as a process of growth which should be self-reliance in the abundant utilization of resources. Banking reforms have been undertaken in Nigeria with the objectives of: (a). improving the financial strength and lending capacity of banks through recapitalization, (b). To promoting real banking activities, (c). To protecting depositors' funds, (d). To strengthening prudential regulations, (e). To promoting competition while avoiding market failures, (f). To checking insider abuse, and (g). To evolving a sound banking industry and by extension, a more efficient financial system. Onwumere posited that the country's development remains far-fetched in spite of several years of planning and adoption of several policies.

2.2.6. ***The Nature of Bank Reforms in Nigeria.***

According to CBN, (2000:14-60) and Onwumere, (2005:13-18), the history and nature of bank reforms in Nigeria take the following order:

a.The Era of Banking Regulation (1959-70):

This was a period during which several legislations were enacted to correct past defects and distortions that led to bank failures in the system. The Central Bank was established in 1959 following the enactment of the Central Bank of Nigeria Act of 1959. The 1958 Ordinance (Ammended) retained ₤12,500 as paid up capital for indigenous banks. Profits transferable to reserve fund was increased from 20% to 25%, while banks were restricted from owning real estates except where absolutely necessary. The 1961 amendment of the Ordinance concentrated on the liquidation of banks by providing for the appointment of receiver and liquidator. The Ordinance was further amended in 1962 which raised minimum paid up capital of existing indigenous banks from ₤12,500 to ₤25,000 given 7 years to comply. Expatriate banks were to keep within Nigeria assets valued for at least ₤25,000. Banks were allowed to write off losses before effecting the transfer of 25% of profits to reserve fund, while CBN was empowered to adopt some flexibility in applying the definition of liquidity when computing liquidity ratio.

The Companies Act of 1968 provided that foreign banks operating in the country were required to incorporate their businesses in Nigeria. The 1969 Banking Act provided that: (a). Adjusted minimum paid-up capital requirements for indigenous banks should be ₤300,000 while expatriate banks should be ₤750,000 (b). Provision for the first time of capital deposit ratio of between 10 and 30 per cent and capital loan ratio of between 25 and 33. 3%, (c). CBN was empowered to monitor and vet advertisement by banks and to authorize bank amalgamations and opening or closure of bank branches. Banking regulations during this period were largely prudential to ensure banking practices and customer protection.

b. The Era of Guided Regulation (1970-1985): This was guided by the passion for self-reliance. The government took actions that altered the banking industry landscape. The following characterized this period:

i. The government promulgated the Indigenous Decree, 1972 which was amended in 1977, which required Nigerians to dominate the ownership, management and control sections of the economy.

ii. The Federal Government acquired controlling interests in the then existing three expatriate banks in Nigeria, viz: First Bank, Union Bank and United Bank for Africa.

iii. The Federal Government of Nigeria set up Financial System Review Commission (the Okigbo Commission) in order to strengthen the operational efficiency of the financial system.

iv. The Federal Government established wholly owned banks to accelerate the pace of economic development: the Nigerian Agricultural and Cooperative Bank, the Nigerian Bank for Commerce and Industry. Reconstitution of the Nigerian Building Society to form a new Federal Mortgage Bank.

v. The states of the Federation were allowed to establish banks, which led to the establishment of state owned banks.

vi. Intensive public sector intervention by way of direct credit, and selective credit controls imposed on the size of lending to the private sector, sustained increase in paid-up capital of new banks to ₦25million for commercial banks and ₦50million for merchant banks, and strict control of interest rates.

vii. The government approved preferential treatment to certain priority sectors such as agriculture and manufacturing in terms of allocation of credit and interest rates on deposits and loans.

viii. The government introduced stricter foreign exchange control practices in 1982 with the issuance of import license to some approved individuals and companies supported by trade restrictions.

c. Era of De-regulation (1986-1995):

This was a period of expansionary banking era. This was largely the Structural Adjustment Programme (SAP) era. The Federal Government introduced the SAP in 1986 in order to open up the country with the objectives of achieving the following: (CBN, 2000)

i. Achieving balance of payments viability in the short to medium terms.

ii. Laying foundation for sustainable non-inflationary growth and

iii. Improving the efficiency of the private and public sectors.

The notable regulatory reform measure in the banking industry, in line with SAP was de-regulation. The following were the events in the industry during the period in addition to the ten points stated under privatization and commercialization:

i. The introduction of prudential regulations-Prudential Guidelines in 1990. It was to sanitize banking operations in the country, and stem financial distress

ii Nigerian Export and Import Bank (NEXIM) was established in 1991 to promote export of non-oil goods through the provision of credit and risk bearing facilities. This was in addition to National Economic Reconstruction Fund (NERFUND) established in 1989 to provide easier access to a variety of credit for small and medium scale enterprises.

CBN review (2000) shows that the industry witnessed cut-throat competition with many; especially the new entrants adopting all kinds of strategies to outwit each other. The branch network of banks increased astronomically. The merchant bank branches increased from 26 in 1985 to 144 in 1994 while branches of commercial banks within the same period, increased from 1,297 to 2,541.Competition led to innovations in products and service delivery leading to a critical overhaul of the banking industry. The competition led to the following events in the industry during this period:

i. Some banks created risk assets at incredibly low interest rates with or without collaterals or adequate cover while some others generated liabilities at incredibly high rates.

ii. Insider abuse manifested in several dimensions (granting loans secured and unsecured to dummy organizations and individuals, outright stealing).

iii. High rate of loan repayment default especially by state Governments, Federal ministries and parastatals.

iv. Managerial incompetence, the general economic down turn and adverse macro economic conditions.

v. Unstable government policies like the dual exchange rate regime which started with secondary foreign exchange market SFEM in 1986,the use of stabilization securities with debited funds not made available to banks in the face of problems, withdrawal of government funds without prior notice, and non-payments of contractors who have had executed projects for government.

vi. Inadequate regulatory/supervisory capacity and other factors listed were major contributory factors that brought about crisis in the industry which reached an epidemic proportion in 1995 when 55 out of the 120 operating banks were distressed.

d. The Guided De-regulation and Globalization Era (1996 and beyond):

Major reforms of this period according to Onwumere, (2005) were to ensure that Nigerian banks became globally competitive, while implementation of many past reforms measures with a view to ensuring stability in the system was continued. Major tenets that characterize this period are stated below:

i. Interest rate was deregulated in October 1996.

ii. Minimum paid up capital of banks was increased to ₦500million in 1997 and later to ₦2.0billion.

iii. Universal banking was adopted in the economy in 2002.

iv. Re-introduction of Dutch Auction System (DAS) in July 2002 with a view to realigning the Naira exchange rate. Under the system, there is intervention by the CBN twice weekly and end-users bought foreign exchange at their bid rates through authorized dealers.

v. Further to liquidity management by CBN, there would be withdrawal of Public Sector Funds from banks when necessary upon two weeks notice and return of same when liquidity conditions improve.

e. The current banking reforms (since 2004).

The National Economic Empowerment and Development Strategy (NEEDS) which is the government reform agenda identified the problems confronting the financial sector to include the following:

i. The inability of the sector to play a catalyst role in the real sector.

ii. Shallowness of the capital market.

iii. Dependence of the banking system on public funds as a significant source of deposit and foreign exchange trading.

NEEDS came out with the following strategies, which are to be incorporated in the monetary framework and adopted by regulated authorities:

i. Comprehensive reform process aimed at substantially improving the financial infrastructure (legal codes, information system)

ii. Restructuring, strengthening, and rationalizing the regulatory and supervisory framework in the financial sector.

iii. Addressing low capitalization and poor governance practices of financial intermediaries that submit inaccurate information to the regulatory authorities.

Soludo, (2004:48-51) addressed a special meeting of the Committee of Bankers in which he outlined some elements of the current banking reforms some of which are:

(i) Minimum capitalization for banks of ₦25billion with full compliance by 31st December 2005.

(ii) Phased withdrawal of public sector funds from banks which started in July 2004.

(iii) Consolidation of banking institutions through mergers and acquisitions.

(iv) Establishment of an Assets Management Company as an important element of distress resolution.

(v) Revision and updating of relevant laws, and the drafting of new ones relating to the effective operations of the banking system.

(v) Collaborating closely with the Economic and Financial Crimes Commission (EFCC) in the establishment of the Financial Intelligence Unit (FIU) and the enforcement of the anti-money laundering and other economic crime measures.

When the Central Bank Governor introduced the current reforms, the banking industry's operational performance was not in the best of states. Bank ratings of licensed banks was carried by CBN using CAMEL parameters of the prudential guidelines of 1990. CAMEL means: C=Capital adequacy; A=Asset quality; M=Management competence; E=Earnings; L=Liquidity.

Akingbola, (2001:6-11) in his analysis of the banking environment posited that without doubt, one development which has posed the greatest challenge for the financial industry within the last decade is the crisis of confidence arising out of the pervasive distress that shook the industry in recent years. The distress saga, which at first emerged mainly within the non-bank sub-sector soon spread to the mainstream institutions in 1991. By 1995, the problems had gone bad enough to threaten the entire banking system. Expectedly, the problem prompted an unprecedented confidence crisis within and outside the industry, which resulted in serious disability for not only the financial system, but also the wider economy. He further stated that it was when Central Bank of Nigeria took courageous move to take out a record of 26 banks at a time, that public confidence gradually began to return to the system. In his conclusion he put the total number of banks already liquidated at thirty-one.

From the background to this study, it is observed that Nigeria has implemented various reforms from pre-independence to date with a view to ensuring that the banking industry occupies its rightful position in the development of Nigeria economy. However, the phenomenal distress witnessed in the industry prompted our interest to conduct a research work in this area. Onwumere, (2005:10-11) in his research work concluded that "the country's development remains far-fetched in spite of several years of planning and adoption of several policies". According to Uchendu, (1996:15-21) the financial sector reforms have aided the enormous development of the sector and the growth of the Nigerian economy. The output of the economy as evidenced by the Gross Domestic Product, doubled from ₦54.1billion in 1970 to ₦104.4billion in 1994 provides an indication for this. The financial sector's contribution to the Gross Domestic Product (GDP) rose from 3.3 per cent in 1985 to 4.5 per cent in 1990 before declining to 1.4 per cent in 1994, as the economy decelerated from 9.4 per cent in 1985 to 1.2 per cent in 1994.Despite the robust growth in financial institutions and assets and profitability, some problems remained while new ones developed, the most prominent being the financial institutions distress. He further explained that the impact of the sector on the rest of the economy was limited; especially since the early 1990s.The rapid expansion of the financial sector as a result of the reforms was identified as one of the contributing factors to the distress facing the financial sector (CBN, 2000). This is related to the thin spread of qualified management staff among the new institutions. As a result, poor management and control contributed to expanding non-performing loans, embezzlement and mismatch of funds, resulting in part to the current financial sector distress. The initial success of the structural adjustment programme and the growth of the Nigerian economy were attributed to the financial sector reforms. However, the negative growth experienced by the economy since 1991 and the persistence of inflationary pressure are regularly linked to the failure of the financial reforms (CBN, 2000). That the improper functioning of the financial markets led to the problems of the real sector, while on the other hand, the lack of productive investment climate rendered ineffective the enormous resources and opportunities generated by the financial sector.

2.3 This section reviews relevant literature relating to the evaluation of the relationship between financial strategy and sustainable performance growth in the Nigerian banking industry.

2.3.1 COMPETING FOR THE FUTURE

Hamel and Prahalad, (2000:5-19) recognized that restructuring is ultimately a dead end, and smart companies have moved on to reengineering their processes, because it aims at rooting out needless work and getting every process in the company pointed in the direction of customer satisfaction, reduced cycle time, and ensure total quality. Reengineering through strategic planning offers the hope and reality. However, reinventing regenerating strategy propel sustainable growth. In their research work, “From organizational transformation to Industry transformation” which centered on IBM, AT&T and Hewlett-Packard, they came out with the following results: The organizational transformation challenge faced by so many companies today is, in many cases, the direct results of their failure to reinvent their industries and regenerate their core strategies a decade or more ago. Many observed that IBM had, in the early 1990s, the wrong kind of organization, skills, systems, and behaviours for a radically transformed information technology industry; such observation missed the deeper point. The real issue was that it woke up far too late to recognize its organization, skills, and people in time to intercept the trends that were dramatically reshaping its industry. For much of the 1980s, IBM had been driving toward the future while looking out through the rear-view mirror. Despite spending close to $6billion a year on R&D and hiring the best and brightest worldwide, IBM missed, as a corporation, almost every important clue as to how its industry was changing. In contrast, the organization and skills of AT&T and Hewlett-Packard 20 years ago were just as inappropriate to today’s industry context as were IBM’s. Yet on average, HP and AT&T moved more quickly to adapt to the changing industry environment than did IBM. It was HP’s deep insights into opportunities like engineering workstations, reduced instruction set (RISC) architecture, and the market for small printers and other peripherals that propelled the company’s transition from an instruments company to a ground-breaking information technology company.

They concluded that successfully managing the task of organizational transformation could make a firm lean and fleet footed; it cannot turn a firm into an industry pioneer. To be a leader, a company must take charge of the process of industry transformation. Top management's primary task is reinventing industries and regenerating strategy more than reengineering processes. To create the future, an organization must change in some fundamental way the rules of engagement in a long-standing industry, redraw the boundaries between industries and create entirely new industries. A capacity to invent new industries and reinvent old ones is a prerequisite for getting to the future first and a precondition for staying out in front.

2.3.2CENTRAL BANK OF NIGERIA (CBN) AND NIGERIA DEPOSIT INSURANCE CORPORATION (NDIC) DEFINITION OF DISTRESS AND ANALYTICAL FRAMEWORK:

According to CBN and NDIC's (1995:32-39) collaborative study, in the ordinary parlance, the word distress connotes unhealthy situation or a state of inability or weakness which prevents the achievement of set goals and aspirations. A financial institution will be described as unhealthy if it exhibits severe financial, operational and managerial weaknesses. The broad objectives and aspirations of a typical financial institution, on the other hand, will be to meet its obligations to its customers as and when due as well as to its owners and the economy within which it operates. They stated further that it is possible to describe a distressed financial institution as one with severe financial, operational and managerial weaknesses which have rendered it difficult for it to meet its obligations to its customers, owners and the rest of the economy as and when due. Distress of a financial intermediary is often technically used to describe two distinct, but closely related states or conditions of the institution, namely, insolvency and illiquidity. While insolvency refers to a condition in which the sum of assets of an institution is less than the sum of its liabilities, a situation which prevents it from honouring its obligations to depositors and other shareholders, illiquidity, on the other hand, describes the problematic cash-flow position of a firm. A technically insolvent bank could remain sufficiently liquid long after it became insolvent, particularly if it has a large and stable deposit base, a bank could run into liquidity problems arising from a mismatch between the maturity profiles of its assets and liabilities.

Distress in the financial services industry will therefore occur when a fairly reasonable proportion of financial institutions in the system are unable to meet their obligations to their customers as well as their owners and the economy as a result of weaknesses in their financial, operational and managerial conditions which have rendered them either illiquid and or insolvent. In other words, financial sector distress can be described as a situation in which a sizeable proportion of financial institutions have liabilities exceeding the market value of their assets which may lead to runs and other portfolio shifts and eventual collapse of some financial firms.

Extent and Depth of Distress: They asserted that based on the extent and depth of the problem, financial system distress can either be of generalized nature or systemic. Generalized distress exists when its occurrence is spreading fast and cuts across all the sub-sectors of the industry but its depth, in terms of the ratio of total deposits of distress institutions to total deposits of the industry; the ratio of total assets of distressed institutions to total assets of the industry; and the ratio of total branches of distressed institutions to total institutional branches of the industry; among others, have not adversely affected the confidence of the public in the financial system. The problem may become systemic and of serious concern to the relevant supervisory/regulatory authorities when its prevalence and the contagious effects become endemic and pose some threats to the stability of the entire system, with its attendant negative effects on the nation's payment system, savings mobilization, financial intermediation process and depositors confidence. Under this situation, the ratios of the relevant variables should have risen to a level that public confidence in the system would be completely eroded. They explained that the Nigerian case can be described as generalized and not systemic because of the following reasons:

i. Available data as at the time of report indicated that the number of distressed commercial and merchant banks had reached 57 as at the end of the first quarter of 1995.

ii. Total deposits of these distressed institutions stood at N47.9billion or 24.6percent of the banking sub-sector's total while their total assets stood at N68.5billion or 18.5percent of the total assets of all banks.

iii. Even when these ratios could be considered high, the public confidence in the entire financial system has not been adversely affected to a level that can trigger runs on the system.

In measuring the distress situation they explained that the categorization of a financial organization as a problem or distressed institution is usually based on the CAMEL rating system. Under this system, the regulatory/supervisory authorities assess a financial institution's performance in five areas, namely, capital adequacy, asset quality, management competence, earnings strength and self-sustainability in terms of its liquidity position. Based on these parameters, appropriate financial ratios are developed for depicting the condition of the financial institution under consideration. They further explained that financial institution in distress is usually one where the evaluation depicts poor condition in all or most of the five performance factors as follows:

i. Gross under-capitalization in relation to the level of operation;

ii. High-level of classified loans and advances;

iii. Illiquidity reflected in the inability to meet customers' cash withdrawals;

iv. Low earnings resulting from huge operational losses; and

v. Weak management as reflected by poor credit quality, inadequate internal controls, high rate of frauds and forgeries, labour turn-over, etc.

This collaborative study used a survey that was designed to generate a wide range of information pertinent to the subject of distress and targeted at financial institutions, their clients and the regulatory/supervisory agencies. They solicited information in the following areas:

i. Financial operators' perception of the nature, extent and causes of distress in the Nigerian financial system generally, ranking the causes as very strong, strong and marginally weak.

ii. Their assessment of the various distress resolution options, including the role of the respective regulatory/supervisory agencies.

iii. Financial operators' assessment of their individual situation with regard to the distress problem, ranking their condition in the scale as healthy, mildly distressed, terminally distressed;

iv. Their views as to what contributed to their perceived condition;

v. Financial operators' suggestions for ensuring a faster and more effective resolution of the distress problem;

vi. The perception of customers of financial institutions about the nature, extent and causes of distress in the financial services industry as well as their assessment of the roles of the regulatory/supervisory agencies.

vii. Customers' suggested remedies for effective resolution of the distress situation;

viii. Supervisory/regulatory agencies' perception of the causes of distress situation, ranking as very strong, strong and slight;

ix. Supervisory agencies' assessment of existing distress resolution measures and fresh suggestions for ensuring a lasting solution; and

x. Government's suggestions for ensuring a lasting solution to the problem.

In analyzing the result of their survey they explained that the various institutions in the sample acknowledged that the problem of distress existed and has indeed infested many of them. The results showed that all the factors commonly cited were indeed the causes of the distress condition in the Nigerian financial services industry. The following were the factors responsible from the survey results: institutional factors, political and economic factors. In the institutional factors some of the critical factors are: poor lending practices, bad management, inadequate internal supervision, fraudulent practices and undercapitalization. On the performance of the Supervisory/Regulatory Authorities, most respondents in the banking sub-sector rated the monetary authorities' performance poorly, except in respect of the introduction of the prudential guidelines. Performance in most other areas of responsibility, namely, interest rate policy, exchange rate management, liquidity management, open market operations, supervision and discount window operations was rated low by the respondents. The use of stabilization securities was naturally scored very low mainly because of the instability its use by the monetary authorities caused many of the banks. Frequent changes in monetary policy were also blamed for making efficient planning difficult.

In their discussion on how to measure distress, the work gave the following measures as resolution to distress in the banking industry: Beef up the level of supervisory personnel, followed by the need to enforce compliance with prudential guidelines, ensure stable macroeconomic environment to guarantee realistic exchange and interest rates; discontinuation of the use of stabilization securities and curb abuses in clearing houses. Suggestions to mitigate economic and political factors ranged from the need to deregulate the economy to the necessity to eradicate corruption and enforce law and order to enhance security of life and property .They stated that the regulatory and supervisory authorities need to adopt the following measures for distress resolution: Short-run measures-

i. Comprehensive framework for failure resolution.
ii. Effective supervision and compliance enforcement through imposition of sanctions.
iii. Mergers, acquisitions, sales and restructuring as well as liquidation of terminally distressed banks.

The long-run, measures suggested were:

i. Amendment of existing legal provisions to strengthen the performance of the industry.
ii. Restoration of macroeconomic stability.

iii. Restructuring and self-regulation in the financial services industry.

The supervisory and regulatory authorities still needed to be given more powers to enable them overcome the deficiencies of the existing legislations, to check illegal activities in the system and to allow them act decisively and promptly in an emergency.

In the conclusion of the study they demonstrated that the Nigerian financial system including the capital market has been experiencing varying degrees of distress of which the causes are both endogenous and exogenous to the system. The study has also established that, although the spread of distress in the financial system is generalized, it has not become systemic. On the causes of the distress, the study showed that factors endogenous to financial institutions were mainly responsible for their distress conditions. In order of importance, these factors included poor management, inadequate capitalization, bad loans, and undue interference of board members. Both economic factors and political instability had therefore merely exacerbated the distress problem. With regard to the proposals for distress resolution, the study gives strong preference for a comprehensive distress management strategy rather than ad hoc measures to prevent the problem from infesting the entire system. Equally high priority is given to the need to overhaul the management of the various institutions, recapitalization and strengthening of internal controls, in that order.

2:3.3 STRATEGIC PLANNING AND SUSTAINABLE PERFORMANCE GROWTH

Strickland and Thompson, (2005: 2-29), analyzed the theoretical framework of strategic planning as management's game plan for strengthening the organization's position, pleasing customers, and achieving performance targets. Managers must combine good strategy making with good strategy execution for company performance to approach maximum potential. They looked at strategic planning from company wide perspective and distinctively identified two types of performance yardsticks called financial objectives and strategic objectives. Financial objectives are important because without acceptable financial performance, an organization risks being denied the resources it needs to grow and prosper. Financial objectives relate to such measures as earnings growth, return on investment, borrowing power, cash flow, and shareholder returns. Strategic objectives however, concern a company's competitiveness and long-term business position in its markets: growing faster than the industry average, overtaking key competitors on product quality or customer service or market share, achieving lower overall costs than rivals, boosting the company's reputation with customers, winning a stronger foothold in international markets, and capturing attractive growth opportunities. The analysis further explained that strategic objectives serve notice that management not only intends to deliver good financial performance but also to improve the organization's competitive strength and long-range business prospects.

Akinboboye, (2007:30-33), in his contribution stressed that strategic planning is a discipline which can include innovative elements but essentially focuses on the rigor of making sure how to get from point A to point B without falling off the cliff. That three things are to be considered in strategic planning: Thoughtfully define your destination, realistically identify your current position and anticipate tectonic shifts and plan for them. This is about ability to predict the future by analyzing historical data, studying trends, observing customer behaviours, studying competitive moves and overall, being watchful of tectonic shifts. Every major technological innovation is a classic example of tectonic shift.

Miller and Cardinal, (1994:.1650-1662), see strategic planning as a strategy that positively affects performance, or more specifically, the amount of strategic planning a firm conducts positively affects its financial performance. They developed an encompassing model as a series of contingency hypotheses. The hypotheses reflect two sets of variables: Substantive contingency variables and methodological contingency variables.

In considering substantive contingency variables, they assessed firm size, capital intensity and turbulence. They explained that in firm size, one of the major purposes of strategic planning is thinking about how to attain and maintain firm-environment alignment. From the perspective of adaptive thought, small and large firms benefit from strategic planning to similar degrees. For small firms, adaptive thinking is very valuable because it can help executives overcome the vulnerability of their firms by helping them avoid missteps. For large firm, adaptive thinking is very valuable because it can help to create an internal environment not conducive to dysfunctional inertia. A second major purpose of strategic planning as explained by them is to help managers integrate and control various parts of a firm. Such integration and control involves multiple parts of the firm contributing directly or indirectly to a unified strategic planning process and being held accountable for any incongruity with an existing plan. They asserted that in contrast to the benefits of adaptive thinking, the integration and control benefits of strategic planning are greater for large firms than for small ones, because large firms are more complex and therefore more difficult to integrate and control than small firms.

In their assessment and analysis of capital intensity, they asserted that capital-intensive firms possess capital assets that are expensive relative to the annual output values of the firm. That these assets tend [1] to require long periods of consistent use to produce an adequate return on investment,[2] to be difficult to adapt to uses for which they were not originally designed, and[3] to require long lead times for the accomplishment of moving from intent to acquire through acquisition to full use. With respect to long-term adaptive thinking, strategic planning is critical for capital-intensive firms because capital asset requirements must be accurately determined far in advance.

Armstrong, (1982); Pearce et al., (1987) (as cited in Miller and Cardinal, 1994), stated that the effect of strategic planning on performance is contingent upon the level of turbulence firms face. Miller and Cardinal suggested that the most common line of reasoning is that executives in firms facing high turbulence must rely on large amounts of strategic planning to cope with changing, unpredictable conditions, while executives in firms facing low turbulence need less strategic planning. That comprehensive analysis is critical in turbulent industries so that changes can be properly classified as transient or non-transient.

2.3.4: FINANCIAL STRATEGY IN THE BANKING INDUSTRY

Aziz (2007) averred that Malaysian banking industry has been significantly transformed and reinvented, and that the restructuring, consolidation and rationalization efforts that were undertaken in the banking sector have placed the financial sector on a stronger foundation. The industry has recorded favourable performance and increased resilience.

This was achieved with the successful integration of business processes and redeployment of resources to support new areas of growth. Financial reforms have changed the environment. Progressive deregulation and liberalization have increased the flexibility to financial institutions, while also resulting in new business opportunities and increase competition. These developments have strengthened the incentives for improved performance. With the strategy adopted, the financial sector as stated by Aziz has evolved from being an enabler of growth to become an importance source of growth. He stressed the need for continued reinvention of strategies and transformation of the industry in three major areas: (i) Human Capital Development which is vitally important for the future development and growth of financial sector. This will become the pivotal factor determining the capacity to reinvent and transform (ii) Financial inclusion which involves strategies that are aimed towards consumer outreach, and promoting financial inclusion will serve to increase access to financial services for all segments of society, promote more balanced growth while at the same time, providing new sources of revenue for the financial industry. In the area of product development, both the interest of consumers and businesses will be taken into account. With these, financial institutions that demonstrate their ability to act responsibly can look forward to greater business flexibility to innovate. He further said that financial institutions that uphold the necessary principles in their business strategies stand to reap long-term gains from enhanced franchise value, a strong reputation and positive association with socially responsible values that will engender public trust and confidence. (iii) The need for banking institutions to enlarge their sphere of influence going forward given the changing environment. Banks will increasingly be exposed to extend developments and the focus of market discipline. Banks need to leverage on the network economy through strategic alliances. With global integration deeping further at the same time that competitive forces are exerting pressures on margins, the way forward would be to build strategic alliances to capacity and expand reach while containing costs. Aziz concluded that banks need to influence communication strategies. With increasing market discipline, effective communication has become more critical. Institutions will need to be more active in responding to consumers and business expectations and the building of long term customer relationships in order to be able to implement longer term business strategies.

www.sap.com/banking (2010) stated that banks face many challenges in today's dynamic market place. In a global economic environment that has become increasingly competitive, the institutions need efficient development of products that can quickly satisfy a more demanding customer base and build long-term customer trust. The industry must enhance risk management and address a broad range of regulatory changes that require reporting with greater standardization and transparency. They must optimize both internal and external innovation, while seeking operational excellence at all levels. Meeting these challenges requires new business and information technology strategies that boost revenue, improve operational efficiency, cut costs, and enhance the overall management of the banking business. The result of their survey shows that 82percent have strategic plans for growth over the next three years. Of theses, 72percent expect growth to come primarily from cross-selling products to existing customers. Another 22percent expect growth from new customer acquisition and 6percent from mergers or acquisitions.

2.4 This section reviews the relevant literature that relate to the sustainability of the growth in business in the Nigerian banking industry by evaluating the relationship between strategic planning(corporate governance, capital budgeting ,budgetary control, tax planning and corporate planning) and performance.

2.4.1 STRATEGIC PLANNING-FINANCIAL PERFORMANCE RELATIOSHIPS IN BANKS: A CAUSAL EXAMINATION

Hopkins and Hopkins,(1997:635-652) stated that the intensity with which banks engage in the strategic planning process has a direct, positive effect on banks' financial performance, and mediates the effects of managerial and organizational factors on banks' performance. They stated further that strategic planning intensity causes better performance and, in turn better performance causes greater strategic intensity. In their research work, they developed and tested an integrative model of relationship among managerial, environmental, and organizational factors, strategic planning intensity, and financial performance by using data from 112 banks. They described strategic planning as the process of using systematic criteria and rigorous investigation to formulate, implement, and control strategy, and formally document organizational expectations. In their review of the work of Thune and House 1970, they indicated that strategic planning results in superior financial performance, measured in terms of generally accepted financial measures.(e.g.sales,net income, Return on Investment(ROI),Return on Sales(ROS),Return on Equity(ROE).

Hopkins and Hopkins posited that a strong conclusion to be drawn from the work is that strategic planning results in superior financial performance only when managers engage in the process with some intensity. In support of this position (Miller and Cardinal, 1994) (as cited by Hopkins and Hopkins), set forth and tested the notion, with affirmative results, that the amount of strategic planning a firm conducts positively affects its financial performance. In their own study, Hopkins and Hopkins defined strategic planning intensity as the relative emphasis placed on each component of the strategic planning process.

Hopkins and Hopkins in their model of planning-performance relationships in banks considered the following factors:

a. Managerial factors: The extent to which banks engage in the strategic planning process depends on managerial factors such as strategic planning expertise and planning-performance beliefs. They argued in this study that in banks where managerial strategic planning expertise is high, the bank managers are likely to engage in the strategic planning process with enough intensity to impact the bottom line.

b. Environmental factors: Linkages between environmental conditions and strategy have been proposed in numerous studies as posited by Hopkins and Hopkins. He said Pearce, Robbins, and Robinson, 1987 stated that environmental conditions have an influence on organizational actions, including the extent to which organizations engage in the strategy making process. They explained that environmental complexity refers to the heterogeneity and concentration of elements in a firm's external environment. What this implies is that firms must consider the number, diversity, and distribution of elements in their environment when formulating strategy.

c. Organizational factors: Gup and Whitehead, (1989) (as cited by Hopkins and Hopkins, 1997) in their studies found that as banks expand into regional markets and in different lines of business they grow both in size and structural complexity. The study concluded that the difficulty involved in managing increased size and complexity required bank managers to become more involved in planning for successful operations. In addition to being a proposed determinant of strategic planning intensity, firm size is also proposed to have a direct effect on financial performance in organizations, through economies of scale and market power.

In gathering data for the study, Hopkins and Hopkins mailed strategic planning survey to the chief executive officers (CEO's) of 350 banks and 112 surveys were returned. The research variables used were managerial factors, environmental factors, organizational factors, strategic planning intensity and financial performance. They compared the performance of those banks that followed a formal strategic planning process with those banks that planned informally. Results of their study suggested that planning intensity, rather than planning formality accounted for differences in bank performance. The measures used for strategic planning include the following components: mission, objectives, internal and external environmental analysis, strategic alternatives, strategic implementation, and strategic control. In an attempt to derive a more comprehensive and unique picture of banks' financial situations, three measures were used for the financial performance latent variable: Profits, Return on Equity (ROE), and Deposit growth. They used LISREL analyses model, which was designed as a linear structural equation model for latent variables.

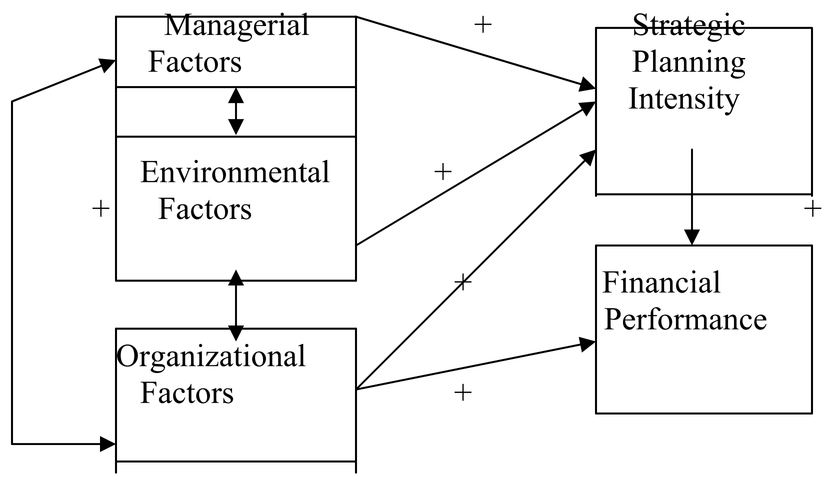


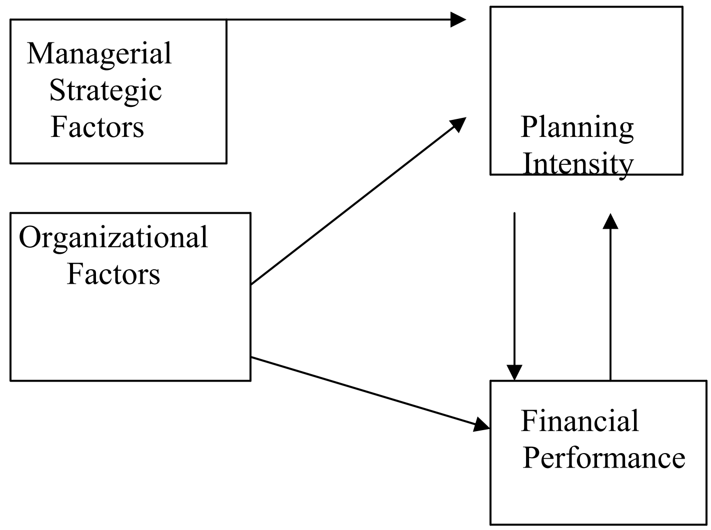
Figure. 1. Model of planning-performance relationship in banks.

Source: Hopkins and Hopkins 1997 p641

The results of their study suggest that the issue is not whether strategic planning affects financial performance in banks, but rather under what conditions strategic planning enhances bank's financial performance. They found the extent to which banks engage in the strategic planning process to be both a major condition of banks' financial performance and a mediator of the strategic planning-financial performance relationship. Further, statistical results reported in this study indicate that the relationship between strategic planning intensity and financial performance is not only strong, but also suggest the importance of strategic planning intensity to the financial success of banks and related financial services firms.

According to proponents of strategic planning, Schwenk and Shrader, (1993); Thompson and Strickland (1987) (as cited in Hopkins and Hopkins, 1997) argued that the value of strategic planning is that it generates information, promotes long-range thinking, forces the firm to evaluate its environment, provides a structured means for identifying and evaluating strategic alternatives, stimulates new ideas, increases motivation and commitment, and reduces focus on operational details, all of which improve firm performance. These strategic planning accruals might be viewed as products of strategic planning intensity. For the most part, the intensity with which banks engage in the strategic planning process was found to be a function of managerial factors. The positive relationship they found between strategic planning intensity and managerial factors suggests that if bank managers possess the expertise to engage in the strategic planning process, and if they believe that strategic planning leads to superior financial performance, they will tend to focus on the strategic planning process with greater intensity.

From their findings, environmental factors had no statistically significant effect on strategic planning intensity. Since all firms in this study operated in the same industry and thus were under similar influences, it is possible that perceptions of environmental complexity among the banks were so similar that environmental concerns played a weak role in determining strategic planning intensity. The figure below is a revised model of planning-performance relationships in banks after the findings.



*All paths are significant at p<.05

Figure 2: Revised model of planning-performance relationships in banks.

Source:Hopkins and Hopkins 1997 p 645

2.4.2: CORPORATE GOVERNANCE AND SUSTAINABLE PERFORMANCE GROWTH

According to Al-Faki, (2005:29), stability and prosperity of any economy is to a large extent dependent on the integrity of its business and markets. Good corporate governance, which can be defined as the rules and practice that govern the relationship between managers and shareholders of companies as well as other stakeholders contributes not only to the growth and financial stability of corporate enterprises, but also promotes financial markets integrity and economic efficiency. He averred that the subject of corporate governance has assumed greater significance following high profile scandals and the consequential losses in the American, European and other countries including Nigeria. Effective corporate governance therefore, requires a clear understanding of the respective roles of the board and senior management and their relationship with others in the corporate structure. The relationships of the board and management should be characterized by transparency to shareholders, fairness to employees, good corporate citizenship to the communities they operate in and a commitment to compliance with the rules and regulations of the country. An effective system of corporate governance provides the framework within which the board, management, shareholders and other stakeholders address their respective responsibilities.

In assessing good corporate governance practice as catalyst for performance excellence, Al-Faki explained that research studies have shown that countries and companies with weak corporate governance suffer large collapses when hit by adverse shocks and are subject to greatest volatility. Investors' perception of the level of good corporate governance practice is also a major influence in attracting foreign direct investment. He said in many countries, Stock Exchange and fund indices have been set up exclusively for companies that have strong emphasis on good governance practice. Each of them has outperformed comparable indices. Therefore good corporate governance practice provides value for long-term sustainability as well as shorter-term result. The studies that proved this are: [1] The star exchange in Italy which was set up for small to mid-size companies that follow strict governance requirements has for now 37 companies with a total market capitalization of $7.5 billion. The companies outperformed their counterparts on the Bourse by 16.5 percent between April 2001 and march 2002.[2] A study of the 100 largest companies in Thailand found that clearly the companies with strong corporate governance have higher market valuations. Investors pay a premium for companies that adopt international best practice in corporate government.

Deloite Business Day Academy (DBA), (2007.31-34) asserted that good corporate governance practice is an essential growth factor in both public and private organization. This is premised on its purpose in ensuring transparency and due diligence within these organizations. It is critical to improved public confidence in government operations and, shareholders' solidarity for their management. High quality financial information is important from a capital market perspective, given the amount of debt held by most governments, a more important reason for insisting on the provision of high quality information is its direct relationship to the role of democracy. There are three main reasons why quality information is required:

[1] For accountability, because they are entrusted with the management of assets and liabilities that have built up over decades.

[2]Government like companies, need timely and accurate financial information to monitor and manage their performance. Governments internationally shift billions and trillions of dollars from the private sector to the public sector, with the objectives of improving the well being of the society and economy. If governments do not operate in an efficient and effective manner, or invest wisely, this represents a huge drain on an economy.

[3] Properly functioning democracy requires that constituencies have confidence in politicians and are willing to participate in politics. Constituencies need accurate information to give them participating power in voting. They further explained that companies influence the strength of the economy, but so too do government. Given the size of the public sector internationally, poor financial management results not only in a

breach of duty to the taxpayer but also is a huge economic cost to the world's economy, and that is really important.

O'Sullivan, (2000:154-170) in assessing interrelationship between corporate governance and globalization, stated that corporate governance is concerned with the institutions that influence how business corporations allocate resources and returns. Corporate governance stems from the recognition of the centrality of corporate enterprises in allocating resources in the economy. She further explained that advocates of the merits of globalization contend that the freeing up of capital flows will lead to the more efficient allocation of capital by improving savers' access to investment opportunities and companies' access to financing. If nations are to take advantage of these opportunities, however, they must observe, as the Organization for Economic Cooperation and Development (OECD) put it, "basic principles of good corporate governance"(OECD 1999,3). As to what constitutes "good" corporate governance, there is little dispute among "globalists": It is the Anglo-American model of corporate governance that generates pressures on corporate enterprises to maximize shareholder value as their primary objective.

Central Bank of Nigeria (2006:1-20) in avoiding grave financial scandals and collapse of institutions introduced code of corporate governance for banks in Nigeria post consolidation. It explained that financial scandals around the world and the recent collapse of major corporate institutions in the USA and Europe have brought to the fore, the need for the practice of good corporate governance, which is a system by which corporations are governed and controlled with a view to increasing shareholder value and meeting the expectations of the other stakeholders. Also that the financial industry need to retain public confidence through the enthronement of good corporate governance given the role of the industry in the mobilization of funds, the allocation of credit to the needy sectors of the economy, the payment and settlement system and the implementation of monetary policy. The code further explained a survey by the Securities and Exchange commission (SEC) reported in a publication in April 2003, showed that corporate governance was at a rudimentary stage, as only about 40% of quoted companies, including banks, had recognized codes of corporate governance in place. For the financial sector, poor corporate governance was identified as one of the major factors in virtually all known instances of a financial institution's distress in the country.

2.4.2.1 CASES OF POOR CORPORATE GOVERNANCE IN BANKS

1. THE RUMBLES IN SPRING BANK.

On June 5, 2007 Central Bank sacked the board of Spring Bank Plc because of the problem of bad corporate governance. According to Adeniyi, (2007:24-26) the root of the CBN's action was the irreconcilable rift between the board members, which has degenerated over the 18months of the bank's existence thereby inhibiting the performance of the bank. It was revealed that out of ₦7.6billion presented as shareholders fund by Citizens Bank, one of the banks in the group, ₦3.387billion presented as shareholders fund was taken from the bank's deposit and had to be reversed and refunded at the end of the consolidation exercise. All the banks in the group were found guilty of similar or other offences. Obianaso, (2007:74-75) revealed that with the exception of two banks, other four banks in the merger had negative capital after the exercise. He further analyzed that three principal directors violated the CBN code of corporate governance section 6.1.8 which requires that any Director whose facility or that of his/her related interests remain non-performing for more than one year should cease to be on the Board of the bank and could be blacklisted from sitting on the Board of any other Bank. Their facilities were neither serviced nor paid. The directors of the bank resulted into media blackmail and campaign. The position of the bank after adjustments, as revealed by Soludo, is that shareholder's fund has fallen short of the ₦25billion minimum requirement for it to operate.

2. DEVELOPMENT IN WEMA BANK PLC

Wema Bank Plc has been undergoing Central Bank of Nigeria and Nigerian Deposit Insurance Corporation surveillance after the consolidation exercise. Central Bank of Nigeria suspended Mr.Tunde Omoyeni, the Managing Director of the bank. According to Oretade, (2008:3) the Independent Corrupt Practices and other related offences Commission (ICPC) continued investigations into the operations of Wema Bank Plc and Nigeria Deposit Insurance Corporation (NDIC). Some top officials of the bank were interrogated by ICPC over the following issues:

a. Fraudulent public declaration of the bank's profit of ₦3.1 billion instead of the original ₦891million.

b. Returns of non-performing loan, and concealment of debt of ₦8.1billion and other unaccounted loans granted by the former Managing Director of the bank who is currently the Deputy Governor of Central Bank of Nigeria.

c. Concealment by NDIC a report that involved the Deputy Governor of CBN.

d. An approval of ₦4.8billion loan facility to two companies belonging to the same person.

e. Granting a facility of ₦600 million to two companies without any collateral and board approval

f. Abuse of office by the Chairman of WEMASEC by allegedly acquiring shares meant for WEMA Bank Holding and manipulating the records for payment of salaries and emoluments to non-existing staff. He also allegedly paid ₦30, 770,634.61 to a non-executive director not entitled to it.

g. The Managing Director was suspended and an Acting Managing Director appointed for the bank.

3. CBN REPLACES FIVE BANK MDs, DIRECTORS:

As reported by Ugwu, Olajide, Ebosede, Adekoya, Adepetun, and Oji (2009), the Central Bank of Nigeria (CBN) wielded the big stick and in one fell swoop, managing directors and chief executive officers of five banks along with their executive directors were sacked by the apex bank on Friday August 14, 2009. As announced by CBN Governor Mr.Sanusi Lamido, the chief executive officers of Intercontinental Bank Plc, Mr. Erastus Akingbola; Sebastine Adigwe of Afribank Plc; Okey Nwosu of Finbank Plc; Mrs.Cecilia Ibru of Oceanic Bank Plc and Barth Ebong of Union Bank Plc.were affected in the phenomenal rejig.The removal of the banks' chiefs was due to excessive high level of non-performing loans, which was attributable to poor corporate governance practices, lax credit administration process and the bank credit risk management practices. According to the CBN Governor, the percentage of non-performing loans ranged from 19 percent to 48percent while the five banks would therefore need to make additional provision of N539.09billion.To continue as going-concern, the apex bank had to inject N400billion into the affected banks with immediate effect in form of Tier 2 Capital to be repaid from

proceeds of capitalization in the near future. The problem of these five banks was that they were built around single personalities which weakened corporate governance.
Further to the sacked five bank Managing Directors, three other Managing Directors of Bank PHB, Spring Bank Plc and Equatorial Trust Bank Ltd.were sacked in the first week of October 2009 for similar offence of aiding distress in their banks.

According to Omeiza-Michael (2009), corporate governance is concerned primarily with protecting weak and widely dispersed shareholders against self-interested directors and managers. Publicly quoted companies are expected to run on best practices of corporate governance. The four pillars of corporate governance are accountability, fairness, transparency and independence and they play out to prevent corporate collapse such as experience in the cases of Enron, Cadbury Nigeria and the recent rot discovered in the Nigerian banking industry that led to the sack of the managing directors and executive directors of the affected five banks. The CBN has the responsibility of dismantling the powers of these domineering CEOs remaining in some other banks to prevent future mess in the industry.

2.4.3: BUDGETARY CONTROL AND PERFORMANCE EVALUATION.

A budget is a quantitative expression of a proposed plan of action by management for a future time period and is an aid to the coordination and implementation of the plan. It can cover both financial and non-financial aspects of these plan and acts as a blueprint for the company/organization to follow in the forthcoming period. Budgets covering financial aspects quantify management's expectations regarding future income, cash flows and financial position.

In Chartered Institute of Management Accountants CIMA, (1993) terminology, a budget is defined as “A financial and or quantitative statement, prepared and approved prior to a desire period of time, of the policy to be pursued during that period for the purpose of attaining a given objective

Werner and Jones, (2004:365) indicated that the most commonly used method of evaluating the performance of revenue centers, cost centers, and profit centers are performance to budget. This is the process of comparing actual results with budgeted to determine if there is a favourable indication or negative indication. In their work on evaluating business segments, in addition to earlier method of comparing actual results with budgets they analyzed some nonfinancial performance measures like quality, customer satisfaction, employee morale, employee safety and efficiency. These measures help responsibility accounting for better performance. Asaolu and Nasser, (1997:156) defined budgeting as planning exercise, usually carried out once every year, which establishes targets and plans for a one-year period. The upheavals in so many companies reflect the failure of one-time industry leaders to keep up with the accelerated pace of industry change. In some companies they map out strategic plans to match the changes being experienced in the industries.

Omolehinwa, (2001:10-29) analyzed that one of the reasons why organizations engage in budgeting is scarcity of resources, which always leads to claims and demands outweighing the resources to satisfy them. He stated that in any organization, some of the tasks of budgeting are: to force managers to analyze the organization’s activities critically, to direct some of management's attention from the present to the future, to enable management to anticipate problems or opportunities in time to deal with them effectively, to give managers a continuing reminder of the actions they have decided upon, and to provide a reference point for control purposes.

Merchant and Manzoni, (1989:539-558), in their field study aimed at providing a better understanding of how, and why managers of corporations with multitude divisions set the levels of achievability of annual profit center budget targets. The data, gathered from54 profit centers in 12 corporations, show that most budget targets are set to be achievable on an average of eight or nine years out of ten. Managers maintain, however that these highly achievable targets provide considerable challenge, and the high achievability actually provides many advantages, including improved corporate reporting, resource planning, control, and combined with other control system elements, even motivation.

2.4.4. CAPITAL BUDGETING AND SUSTAINABLE PERFORMANCE GROWTH

Edmonds, Edmonds, Tsay, Olds and Schneider, (2006:274) describe capital budgeting as whether to buy or lease equipment, whether to stimulate sales or whether to increase the company's asset base, and hence take decisions on capital investment in an organization by determining which specific investment projects the firm should accept, determining the total amount of capital expenditure which the firm should undertake, and determining how this portfolio of projects should be financed. Werner et al, (2003:203-213 analyzed that the capital budget plans for the acquisition and replacement of long-lived expensive items such as land, buildings, machinery, and equipment, which are called capital assets. The capital budget focuses on the long-term operations of the company to determine how an organization intends to allocate its scarce resources over the next 5,10 or even 20years.They further explained that capital projects in organizations share the common characteristics analyzed thus:

[1] Long life-Capital projects are expected to benefit the company for at least two years, which is the whole idea behind capitalizing the cost of a purchased item.

[2] High cost-Technically, the purchase of any long-lived item for which the cost exceeds a company's capitalization amount is considered a capital project.

[3] Quickly sunk costs-Costs that cannot be recovered are called sunk costs. A capital project usually requires a firm to incur substantial cost in the early stages of the project. As new information about market size, technology, etc becomes available, the project should be abandoned. Unfortunately, the company may not be able to recoup much of the cost already incurred.

[4]High degree of risk-Capital project has a high degree of business risk because they involve the future, which always entails uncertainty. They concluded that because of these characteristics, companies must try to estimate the returns from these projects in future years by identifying possible capita projects, determining relevant cash flows for alternative projects, select a method to measure the alternatives, and evaluate the alternatives and select the capital project or projects to be funded.

Pike, (1986:186-194) in his study assessed how differences in the degree of capital budgeting sophistication and formalization are related to the corporate context. The research is borne out that management must recognize when it chooses a particular organizational form that not only is it providing the framework for current operations but also the channels along which information will flow in the future. These channels shape, or bias, the information which management will have available to it for planning in the future.

In this study, Pike adopted a cross-sectional survey approach covering 146 major UK firms and examined their capital budgeting process within a contingency framework, applying multivariate techniques to identify the influences of environmental and organizational characteristics on capital budgeting sophistication and effectives. The structure of a firm's investment process is seen as a function of the organization structure, the environmental uncertainty, leadership style and financial status. Organization structure is itself a function of size, technology and environmental uncertainty. He focused on four aspects of corporate context which are assumed to be associated with the design and operation of capital budgeting system, which are: organizational characteristics, environmental Uncertainty**,** Behavioral characteristics and capital budgeting sophistication, which were tested Hypothetically. Statistical analysis of variables considered increase in degree of capital budgeting formalization and sophistication occurred and the main areas of improvement in investment in capital budgeting are areas of inflation, post audits, hurdle rates, DCF methods and formal risk analysis. Contextual variables on capital budgeting sophistication explained 38.1% of the variation in sophistication with size, manager attitude, and performance volatility found to be significant variables. The administratively oriented capital budgeting system is consistent with the corporate characteristics of organization size, manager attitude to investment and financial history of the organization. The study established capital budgeting within the broad framework of its structure and setting, and why different organizations employ different capital budgeting practices and how the complex networks of interdependence among variables operate.

Elumilade, Asaolu and Ologunde, (2006:136-151) posited that poor and unrealistic capital budgeting has long been the bane of socio-economic development in Africa and focused on Nigeria. Capital budgeting in a developing country is vital for economic development which any organization must consider in order to achieve corporate organizational growth. Capital investment decision involves large sums of money and may introduce drastic change in a company operation. They analyzed the problem of capital budgeting as lack of development of technological base that can support the economy, and that capital investment decision is not usually well articulated. Considering it from the corporate perspective, capital budgeting decision is one of the decision-making areas of financial manager that involves the commitment of large funds in long-term projects or activities. They explained further that in the face of competition for growth and development, a firm needs a constant flow of ideas for new products and ways to make existing products better or at a lower cost.

Elumilade et al critically examined three models of capital budgeting investment appraisals: models of capital budgeting techniques, discount rate for cost of capital technique, and corporate risk in decision making. The study was conducted in ninety-four firms that cut across the sectors of the economy. The result revealed that public companies make use of capital budgeting models of Payback model with ARR and NPV. On frequency distribution of companies using discount rate of cost of capital technique, the highest degree of result is based on past experience. On risk, the result revealed that public companies predict for risk subjectively, and classifying risk level characterized by divergent methods of funding was found to be associated with greater exposure to debt or equity capital. They concluded that dividends and taxation payouts as well as shareholders funds and share capital strongly influenced public companies growth performance when related with retained earnings and credit investment. Overall ,strongly positive impact of net cash inflows on investment return was consistent with other findings that net cash inflow should be regarded as a desirable determination of performance, since higher income dictates better investment return and vice versa. The result showed that low investment return was a signal of poor growth performance level.

2.4.5: TAX PLANNING AND LIQUIDITY

Tax can be described as a charge imposed by government authority upon property, individuals or transactions to raise money for public purposes.

Chartered Institute Of Taxation of Nigeria CITN (2002:6-7) describes a tax as a rateable portion of the produce of the property and labour of the individual citizens, taken by the nation, in the exercise of its sovereign rights, for the support of government, for the administration of the law, and as the means for continuing in operation the various legitimate functions of the state. A tax is invariably an enforced contribution of money, exacted pursuant to legislative authority. If there is no valid statue by which it is imposed, a charge is not a tax, but once it is backed by written law and it has the other identified characteristics of a tax, it remains a tax.

According to Nightingale (2003:3-9) taxation is not just a means of transferring money to the government, to spend as it thinks fit, it also has a tending to reflect prevailing social values and priorities. In this respect, a system of taxation is a socioeconomic model, representing society's social, political and economic needs at any one time; changes in these needs often being reflected by changes to the system of taxation.

Tax planning as financial tool for liquidity management

Most business executives are aware that there are opportunities to save on taxes. The nature of these opportunities is not nearly so well known. Consequently, they are frequently overlooked and unnecessary tax obligations are incurred. Information regarding the circumstances that give rise to these tax alternatives is frequently available to the accountant. If his knowledge of tax planning is adequate, he can render an important service by calling attention to the possibilities for minimizing taxes. It is important that tax-saving opportunities be recognized when they arise. In most instances, the original action is deemed final for the purpose of determining the tax obligation (Dickerson, 1957:98-100).

Taxes cannot be neglected because it is net income after a tax that is important.

Hoffman, (1961:274-281) in his analysis defined tax planning as the taxpayer's capacity to arrange his financial activities in such a manner as to suffer a minimum expenditure for taxes. All tax planning does not reduce the tax liability to the desired minimum level. The tax planning that is not cut properly to suit the individual taxpayer may have the ultimately adverse effect of maximizing the tax. When the use of the designated tax planning is used in this thesis, it means effective tax planning.

Warfield and Linsmeier, (1992:546-562) in their tax planning, earnings management, and the differential information content of Bank earnings components, securities transactions Gains and losses analysis, stated that Securities Transactions Gains and

Losses STGL give rise to ordinary income or loss rather than capital gain or loss. This tax feature creates the ability to minimize taxes through discretionary timing of investment securities sales because capital losses may offset only capital gains, but ordinary losses can be deducted from the normally large figure for ordinary taxable income.

Egwuattu, (2003:54) in his tax planning –a practical contribution, he gave an analytical report that corporate entities have been urged to ensure that tax planning is not operated in a way that would encourage tax evasion. The report further stated that the Managing Director, C&I leasing Plc Mr.Emeka at workshop tagged "Attaining tax efficiency in executive compensation Management" advised both quoted and unquoted companies to design their tax policies that would enable them attain tax efficiency without running foul of the law, in the management of executive compensation. According to him "most organizations have resorted to illegal methods of evading tax on this important compensation component, thus exposing themselves and their employees to often avoidable risk and penalties. He noted that tax is a compulsory contribution by citizens of a country toward the running of the state, saying "it is therefore an offence for any one to evade or collude with others with the intension of evading tax" Egwuattu emphasized that tax evasion was a criminal act, stressing "it is an outright dishonest action whereby tax payer seeks to minimize his tax liabilities omission of a source of the tax payer's income from his returns or deliberate understatement of his income. He also noted that tax evasion arises through failure to render tax returns. On the other hand, he noted that tax avoidance was not an offence, saying, "It arises where a tax payer arranges his financial affairs in a form that would make him pay the least possible amount of tax." To this extent, he advised that taxpayers should be consistently educated to enable them appreciate why they need to pay tax.

Institute of Chartered Accountants of Nigeria ICAN (2006:147-155) elaborated on tax planning as involving taking conscious efforts to consider the tax that will be payable by a taxpayer at a future date and how such tax can be minimized. It is clear that payment of tax is an outgoing from the viewpoint of a taxpayer. With respect to profits/income tax, the amount that can be retained by the taxpayer from the profits/income of his business/investments is reduced by the amount of tax that such taxpayer has to pay.
Tax planning involves anticipating a set of circumstances and the identification of opportunities to minimize or defer tax liabilities within the law. It involves arranging affairs to ensure that the maximum allowances, exemption and reliefs are enjoyed.

Olajide, (2007:27) analyzed that multiplicity of taxation has always posed a threat to the survival of domestic industry. Multiple taxation is a major factor behind the inflation and high market prices of many consumer foods and manufactured products. It not only leads to a disincentive for new investments, it could also discourage further reinvestment in many sectors of the economy. Multiplicity of taxation can be traced to the multiple layers of tax jurisdiction in Nigeria, as the law gives various taxing powers to federal, state and local governments. According to Omogui,(2007) (as cited by Olajide,2007:27) multiple taxation reduces the profitability of many businesses, as the means used in imposing these levies such as road blocks, sealing of business premises constitute a nuisance to economic activity and gives the country a bad image. It ultimately encourages the taxpayer to device ways of non-compliance with tax laws, which is a major challenge to the success of current tax reform initiatives.

According to Iyoha, (2007) (as cited by Olajide, 2007:29-30) the study on multiple taxation in Nigeria revealed that some of the taxes captured are actually the same but under different names. Onyeukwu, (2007:31-32) stated that multiplicity of taxes is not a healthy development for corporate entities. It is a disincentive for their growth and these at times affect their corporate social responsibility where they perceive the host state government as being unfriendly.

Tax planning requires detailed knowledge of tax legislation and its application to particular circumstances, identifying and taking advantage of loopholes. If any, it should also be noted that tax planning involves taking note of the applicable taxation legislation to ensure that the tax laws are properly complied with by taxpayers such that all taxes due are paid as at when due.(ICAN:2006:6)

They asserted that regardless of how simple or how complex a tax strategy is, it will be based on structuring the transaction to accomplish one or more of these often overlapping goals:

1. Reducing the amount of taxable income.
2. Reducing tax rate.
3. Controlling the time when the tax must be paid.
4. Claiming any available tax credits
5. Controlling the effects of the alternative minimum tax.

6. Avoiding the most common planning mistakes. No taxpayer has the Obligation to allow the tax authority to gig the deepest hole in his income. It therefore means that the taxpayer should be in a position to avail himself of all the available opportunities to minimize his tax liability and retain enough liquidity in the business.

2.4.6: LEADERSHIP AND SUSTAINABLE PERFORMANCE GROWTH

Mears and Voew, (1995:1) analyzed leadership as the capacity or ability to show the way by going in advance; the act of guiding a course, behaviour or opinion of others by playing a principal or guiding role, especially in the creation of the excellent department or organization. An excellent organization works close to its potential, instead of with inertia and resistance. Its members share a commitment to making the system extraordinarily successful in accomplishing agreed-on organizational objectives. The focus is on quality, genuinely collaborative team effort, confronting differences about work without petty infighting, and continued attention to the development of members as integral to achieving the task. The concern for excellence in such an organization is not the exclusive property of the leader. Instead all members share this concern and are prepared to do whatever is necessary in order to achieve expectations.

Ogubunka,(2004:36-40) explained the challenges of leadership in corporate management, and defined leadership as focusing on influencing people to voluntarily accomplish goals. The influencer, referred to as the leader or the leadership must have a goal or goal to attain. Leadership touches the behaviour and attitude of a people and causes them to work towards accomplishing the set goals. Leadership according to Kouzes and

Posner,(2002) (as cited by Ogubunka,2004) is about transformation of value into actions, vision into realities, obstacles into innovations, separateness into solidarity, and risks into rewards. Leadership is about mobilizing people to achieve significant and extraordinary or exceptional goals.

According to Arowomole and Adeyemi, (2004:20-26), leadership and budget are two management concepts that researchers in management and Accounting have done some work on but the results could not be generalized in application. Failed budgets are attributed to leadership problem. Consequently, many organizations opt for restructuring, culminating in downsizing the work force and persistent changes in leadership.

Wholey,(1999:288-305) analyzed the specific content of performance-based management as (a) developing a reasonable level of agreement on missions, goals and strategies for achieving the goals (b) implementing performance measurement systems of sufficient quality to document performance and support decision making, and (c) using performance information as a basis for decision making at various organizational levels. This is a criterion of leadership accountability, demonstrating effective or improved performance, and supporting policy decision-making. To implement effective performance-based management systems, managers first must achieve a reasonable level of agreement with senior officials and other key stakeholders on program goals on the resources, activities, and processes required to meet the goals. Wholey explained that the primary use of performance information is in systems for managing agencies and programs to achieve effective performance in terms of “agreed-on” goals. That performance-based management practices include delegating authority and flexibility in return for accountability for results, creating incentives for improved organization performance, redesigning central management systems to focus on performance, reallocating resources or redirecting program activities to improve performance, and developing partnerships designed to improve performance.

Mears and Voew, (2005:23-37) pointed some cultural behaviour of leaders who achieve exceptional results. Their study based on Kouzes and Posner model (1988) revealed a pattern indicating that 80% of the times they are engaged in activities that fall into the following categories of behaviour:

a. Challenge the process: Leaders are pioneers who seek new opportunities and are willing to change the status quo. They realize that failure to change and adapt leads to mediocrity, and therefore, they innovate and experiment in order to improve the organization.

b. Inspire a share vision: Leaders look to the future and beyond the horizon. They believe that if people work together, they can achieve the excellent organization that others just dream about. They are expressive and attract followers through genuine and skillful communication. They are truthful and do not deceive. They show others how common interest can be met through commitment to shared goals.

c. Enable others to act and succeed: They realize that they cannot do it alone and, therefore, infuse people with enthusiasm and commitment. They are persuasive people who develop relationships based on mutual trust and working toward collaborative goals. They stress participation in decision-making and problem solving and they actively involve others in planning, allowing them to make decisions even if it means making mistake. Reasonable risk taking is encouraged and much discretion is allowed. Leaders empower others to become leaders in their own way instead of just doing as they are told.

d. Model their values and beliefs: Leaders are clear about their values and beliefs and have standards, which are clear to all. They keep things on course by behaving consistently with these values and modeling how they expect others to act.

Persuade to new heights: Leaders persuade others that the impossible is within reach and the unimaginable is just around the corner. They split projects into small achievable steps to create opportunities for small wins. They make it easier for others to achieve goals by focusing on these steps and identifying key priorities, often by setting examples and behaving in ways that are consistent with their values and beliefs.

e. Encourage and support: Leaders encourage people to achieve difficult goals and targets. They persist in their efforts by relating frequent feedback. They let others know that their efforts are appreciated and go out of their way to say thank you for a job well done. They communicate successes and celebrate the wins. Finally, leaders nurture a team philosophy and a sustained effort by encouraging others to put even more into what they do.

f. Focus on the customer: They learn how to make the customer feel like a “King” and keep customer satisfied for life. The gap created in this study is to research into how to make customer happy for life through budgetary control as a strategy for sustainability of business in an economy.

They concluded that without leadership, firms couldn’t adapt to a fast moving world. If organizations are going to live up to their potentials, we must find, develop and encourage more people to lead in the service of others. Excellent leadership from top is the essential ingredient. This leadership empowers other managers and employees who see the need for change but have been constrained by the old culture. It also helps to win over the hearts and minds of others who have not yet recognized the necessity of major change. In many organizations, today, providing this kind of leadership is surely the number one challenge for top executive.

Szekely, (2005:3-54) asserted that one way to strengthen the link between sustainable development initiates and the business strategy of a company is to measure how much its performance improves as a result of implementing sustainable development initiatives. He wrote that various approaches that were used to measure, monitor and assess a company's progress toward sustainability like sustainability surveys, sustainability metrics, sustainability indexes, performance indicators, investor criteria, accountability, internal and external communication tools, sustainability performance ranking could represent a clear universal tool that can be used by all industries or by all companies within the same industry. He defined sustainable development as the development that meets the needs of the present without compromising the ability of future generations to meet her needs. Sustainability for businesses involves sustaining and expanding economic growth, shareholder value, prestige, corporate reputation, customer relationship, and the quality of products and services.

2.5. This section reviews relevant literature relating to the evaluation of the investment policies in the banks with a view to put in place good policy for better management of assets and liabilities.

2.5.1: A CASE STUDY OF DISTRESSED BANKS IN NIGERIA BY CENTRAL BANK OF NIGERIA (CBN)

Central Bank of Nigeria (CBN) (2004:72) explained that banking institutions occupy a central position in the financial system in any economy. Banks act as intermediaries for efficient transfer of resources from surplus to deficit units. For banks to be able to perform efficiently and contribute meaningfully to the development of the economy, the industry must be safe and sound. They explained that following the deregulation of the Nigerian financial sector in 1986, the banking industry witnessed remarkable growth both in the number of deposit money banks (DMBs) and other types of financial institutions. However,in the late 1980s,Nigerian banking institutions faced many challenges, including increased competition and harsh economic conditions. Against this background, the incidence of financial sector distress, induced by undercapitalization, deteriorating asset quality, poor management, liquidity crises and a high degree of non-performing loans characterized the banking industry in Nigeria. Consequently, a sizeable number of financial institutions were with the threat of liquidation, while some were resuscitated as a result of the timely intervention of the regulatory authorities.

In their analysis of the problem, they stated that the distress phenomenon in the Nigerian banking industry dates back to the early 1930s when a number of failures were recorded. The absence of formal banking legislation and a regulatory agency, such as a central bank, the rudimentary nature of the banking system, and the poor management of Nigerian banks contributed to the distress. The establishment of Central Bank (CBN) in

1959 gave respite. However, the reoccurrence of financial distress and bank failures between 1989 and 1998 was of greater intensity, both in scope and in depth. During this period, confidence in the financial system waned considerably as not less than 45 banks were categorized as distressed and 31 banks had been liquidated by 1998. It took the firm intervention of the CBN and the Nigeria Deposit Insurance Corporation (NDIC) to check this trend. Empirical evidence suggests that recurring distress in the system is the function of a number of factors, such as, economic downturn, illiquidity in banks, poor corporate governance, high loan losses, inept management, insider abuse and very poor assets and liabilities management. They further posited that despite the efforts of regulatory authorities to revitalize the affected institutions, Nigeria's financial sector continued to witness pockets of distress towards the end of the 20th century, necessitating the acquisition or outright liquidation of some banks.

They reviewed literature on distressed banks in Nigeria and other countries for comparative purpose. They reviewed and examined historical data collated from the relevant departments of the CBN and the NDIC for an in-depth analysis of the different categories of distressed banks in the country. They carried out descriptive analysis of relevant statistics to facilitate a review of the environmental and competitive positions of Nigerian distressed banks in order to identify their relative strengths, weaknesses, opportunities and threats. With the table below they presented the rating of Nigeria's banking industry, as at June 30, 2002 and the preceding quarter

Table 2:1 Banking Ratings as at June 30, 2002

Rating	Number of Banks March	June
Very Sound	1	-
Sound	29	22
Satisfactory	45	53
Marginal	6	8
Unsound	8	6

Source: CBN/NDIC Technical Committee on Supervision (2002)

The table shows that there were 14 banks which were marginal and unsound. They explained that their share of industry assets and deposits were 13.4 and 13.1 percent, respectively. The industry's ratio of non-performing credit to total was 21.4percent. Thus, the assets and deposit figures were below the systemic distress level of 20 and 15 percent of industry assets and deposits held by distressed banks, respectively. In addition the industry credit classified as non-performing was less than 35percent as defined in the Framework for Contingency Planning for Banking Systemic Distress and Crises which took effect from 1st July, 2002.

The work explains that Nigerian banking system has witnessed two distinct episodes of distress since banking business commenced in 1892. The first took place in the late 1930s and early 1950s, mainly as a result of lack of regulation, inadequate capital, fraudulent practices and bad management. (Okigbo, 1981 as cited by CBN, 2004). Consequently, about 21 of the 25 indigenous banks which had been established by 1954 failed. The failures were resolved mainly through self liquidation. The outcome was a bitter experience, especially for depositors who lost their money. It was not until the introduction of the Banking Ordinance of 1952, the establishment of the Central Bank of Nigeria (CBN) in 1959, and the promulgation of the banking Act of 1969 that the distress syndrome was relatively contained in Nigeria's banking industry.

Systemic distress re-surfaced in the Nigerian banking industry between 1989 and 1998, and pockets of the distress syndrome have been experienced by some banks ever since. The crisis of 1989 was attributable to the withdrawal of public sector deposits from banks. This singular act exposed the weak financial condition of most financial institutions. The situation was generally, the visible manifestation of a complex set of interrelated problems, including a weak policy environment (over-regulation), capital and management inadequacies, weak investment policies, an economic downturn, the negative effects of deregulation, and political interference.

They explained that the introduction of more liberal economic policies in the second half of the 1980s, together with the emergence of systemic bank distress, necessitated the adoption of the system of prudential regulations and supervision. Banking legislation was further strengthened in 1990 and 1991, following the granting of more powers to the CBN to enforce compliance with Nigerian banking laws and to intervene in distressed banks.

In their analysis of causes of financial distress in Nigerian banks, four banks were taken as case studies in the Nigerian economy. Their balance sheets were analyzed between

1998 and 2003 and the following reasons were discovered for the distress of the banks studied:

a. The role of management which was below the tolerable standard, played a key role in the distress syndrome that afflicted the banks.

b. The regulatory authorities failed to act at the appropriate time to avoid the losses recorded.

c. The macroeconomic environment. The sluggish growth experienced in the economy, weak aggregate demand and depreciating exchange rate affected the performance of weak banks very severely and explained the decline in the number of sound banks in the economy.

d. Risk of contagion through their foreign affiliate and correspondent banks that could not pay back amount held in foreign currency on behalf of the local banks.

In their conclusion, CBN stated that the analysis of four different categories of bank distress in Nigeria provides both stakeholders and students of higher learning with some lessons on the causes of, and probable solutions to the distress syndrome in banks. The following are their recommendations;

(a) The Role of Good Corporate Governance: They averred that the quality of management can make a very big difference to the health of a bank. The management of the four banks studied displayed ineptitude and practiced abuse of privilege in the running of the affairs of their banks. Members of management were often self-serving and indulging in criminally irresponsible behaviour in the administration of their banks. This suggests the need for an appropriate mechanism to be put in place to ensure that erring directors are prosecuted.

(b) The Quality of Credit Administration: The problem of poor credit administration was prevalent in all the banks analyzed in the study. Two factors seem responsible for the current undesirable situation, namely: insider-abuse and a dearth of component credit analysts in Nigerian banks. The former factor can be controlled by the institution of a strong corporate governance culture in banks; the latter can only be corrected through appropriate and sustained capacity building initiatives.

(c) Tackling the challenges of Portfolio Mismatch: Eliminating the endemic problem of portfolio mismatch is related to the issue of a dearth of competent credit analyst in the banks. Many Nigerian banks, in a bid to remain competitive have, unwittingly, embraced problems of moral hazard, over-trading and excessive risk-taking. With the advantage of hind-sight, the presence of competent professionals and good corporate governance would have prevented the mismatch of funds borrowing short and lending long in the cases studied. This problem has clearly impaired the liquidity of the four banks of our study and, hence, their operational efficiency.

(d) Addressing the Contagion Effect (especially access to unsecured inter-bank funds)

The excessive dependence of one bank on a foreign bank for its operations is a bitter lesson to be learned. Though banks generally need to work in tandem with other local and foreign banks for their smooth functioning, the exposure that such dependence imposes should be limited and secured. Over-dependence of any Nigerian bank on another bank for correspondence relationships and inter-bank placements poses a significant risk to the survival of the Nigeria bank. Funds trapped in a distressed and/or liquidated bank could undermine the performance of a relatively sound bank and eventually lead to the demise of the sound bank. Thus, the problem of contagion has to be taken more seriously in the Nigerian banking industry.

(e) The Quality of Bank Surveillance: forward-looking supervisory regime which would take into account the realities of external factors that may inflict costs on a Nigerian bank should be instituted. Also bank supervisors should keep abreast of state-of-the art practices and procedures in order to discharge their functions efficiently, effectively and creditably.

(f) Transparency and Information Disclosure: The prevalence of information asymmetry engenders adverse selection and moral hazards, which increases the probability of a bank's insolvency. Transparency and the disclosure of accurate information on the quality of a bank's assets and earnings are critical if the regulatory authorities are to intervene promptly and decisively to avert or mitigate bank distress.

(g) Ensuring Adequate Capitalization of Banks: From the case studies, undercapitalization emerged as a major factor of liquidity problems in Nigeria banks.

In conclusion, they explained that there was an interval of about 50years between the first two episodes of banking system distress in Nigeria. However the interval seemed to have shortened dramatically to less than ten years, with the re-emergence of the banking distress syndrome in the late 1990s and early 2000s. The shortened interval is, perhaps, indicative that little had been learned from the earlier episodes of bank distress. Given that the Nigerian banking environment is a dynamic one, the solution to banking system distress lies in the collective responsibility of all stakeholders in ensuring that the mistakes of the past would not be repeated in the future.

While consolidation via mergers and acquisition and the application of information and communications technology in the industry would certainly enhance good corporate governance in the industry, the authors assume that the problem of distress would not simply disappear as a result. If anything, the emergence of bigger banks in Nigeria suggests, as one the case studies have poignantly illustrated, that the failure of any of them could have far more serious and long-lasting adverse effects on the economy than the failure of smaller ones. Consequently, a thorough understanding of the underlying causes of bank distress in Nigeria is not only relevant to the country's post-consolidated banking industry, but all stakeholders must resolve to contribute whatever they can to prevent its re-emergence.

2.5:2 BANKING CRISIS: CAUSES, EARLY WARNING SIGNALS AND RESOLUTIONS

Alashi, (2002:49-66) stated that a bank that is illiquid or insolvent or both is distressed and therefore in crisis. If many banks in a country are distressed to the extent that it becomes systemic, the country can be said to be having banking crisis and ditto for a region/continent as witnessed in the South East Asia. Banking crisis becomes severe when a bank reveals most or all of the following conditions:

(i). gross under-capitalization in relation to the level and character of business;

(ii). High level of non-performing loans to total loans;

(iii). illiquidity reflected in the inability to meet customers' cash withdrawals and /or persistent overdrawn position with the CBN;

(iv). low earnings resulting in huge operational losses; and (v). weak management as reflected by poor asset quality, insider abuse, inadequate internal controls, fraud including unethical and unprofessional conduct, squabbles, and high staff turnover.

According to Reinhart (1999), as cited by Alashi,(2002:49) banking crisis is marked, by an event that indicates either (i) bank runs that lead to the closure, merger or takeover by the public sector of one or more financial institutions ;and (ii) if there are no runs, there will be closure, merger, takeover or large-scale government assistance of an important financial institution (or group of institutions) that marks the start of a string of similar outcome for other financial institutions.

In his analysis of the causes of crisis, he explained that some of the factors examined are endogenous while the others are exogenous to the banking system. Distress among Nigerian banks is a visible expression of a complex set of interrelated problems emanating from a number of factors.

(a) Policy and Regulatory Environment.

(b) Capital Inadequacy.

(c) Economic Downturn: The adverse economic condition in Nigeria since mid-1981 had been characterized by high inflation, depreciating value of the Naira, large fiscal deficits, heavy external and internal debt overhang and slow growth. Arising from this stress in the economy, many borrowers, corporate bodies and individuals as well as government at all levels were unable to service their loans thereby making banks to come under severe crisis.

(d) Borrowing and Lending Culture. This problem of economic downturn has been exacerbated by the attitude of some borrowers who are unwilling to repay even when they are known to have the means to service their debts. Such borrowers seek refuge under the inadequate legal framework and cumbersome loan recovery processes which make it difficult for the lending bank to foreclose collaterals. Poor lending and borrowing culture was contributory to distress in the system. He presented the table 2.2 below which shows detailed analysis of quality of bank lending between 1989 and 2001 to support his argument.

TABLE 2:2
Asset Quality of Banks from 1989 to 2001

	Loans &Advances (N'billion)		Non-Performing Loans& Advances (N'billion)		Proportion of Non-Performing Loan to Total Loans & Advances (%)	
Year	Industry	Distressed	Industry	Distressed	Industry	Distressed
1989	23.1	4.3	9.4	2.9	40.8	67.1
1990	27.0	6.4	11.9	4.7	44.1	72.8
1991	32.9	5.4	12.8	4.1	39.0	76.5
1992	41.4	15.7	18.8	6.8	45.5	43.0
1993	80.4	25.3	32.9	14.7	41.0	58.0
1994	109.0	45.6	46.9	29.5	43.0	64.6
1995	175.9	48.9	57.8	29.5	32.9	68.9
1996	213.6	51.7	72.4	33.9	33.9	75.5
1997	290.4	49.6	74.9	40.7	25.81	81.92
1998	327.2	24.2	63.3	18.7	19.3	77.3
1999	370.2	29.1	24.8	21.0	25.6	72.2
2000	519.0	26.4	111.6	20.0	21.5	75.8
2001	803.0	123.1	135.7	35.4	16.9	28.9

Source: NDIC Annual Report 1989-2001

(e) Asymmetric Information: Asymmetric information has been known to cause banking crisis, particularly in emerging markets. Asymmetric information is described as a situation whereby a borrower taking out a loan has superior information about the potential returns and risk associated with the investment project than the bank lending the money.

(f) Poor Corporate Governance/Management: Alashi (2002) explained that the quality of corporate governance or management makes an important difference between sound and unsound banks. It is established in Nigeria that mismanagement is the main culprit causing banking crisis. A very significant characteristic of mismanagement is in the negative attitude and behaviour of bank managers which is difficult to reverse by the application of external policies and measures. The four common types of mismanagement are technical mismanagement, cosmetic mismanagement, desperate management and fraud and they are prominent in Nigerian banking industry and they undermine the health of our banks.

Technical mismanagement involving inadequate policies, lack of standard practices, prevalence of over-extension, poor lending, mismatching of assets and liabilities, weak and ineffective internal control systems, and poor and lack of strategic planning have been prevalent in the Nigerian banking industry. This often leads to insider abuse as depicted in Table 2.3 below to buttress his argument

TABLE2:3: INSIDER LOANS IN SELECTED BANKS IN LIQUIDATION

Extent of Insider Loans in Selected Banks in Liquidation as at the Date of Closure.			
S/N	Closed Bank	Ratio of Insider Loans Total Loans	Ratio of Non-Performing Loans to Total Loans
		(%)	(%)
1	Financial Merchant Bank	66.9	99.5
2.	Kapital Merchant Bank	50.0	96.2
3.	Alpha Merchant Bank	55.0	90.0
4.	United Commercial Bank	81.0	90.0
5.	Republic Bank	64.9	98.0
6.	Commercial Trust Bank	55.9	100.0
7	Commerce Bank	52.0	86.9
8.	Credite Bank	76.0	98.3
9.	Prime Merchant Bank	80.7	100.0
10	Group Merchant Bank	77.6	94.5
11.	Nigeria Merchant Bank	99.9	95.9
12	Royal Merchant Bank	69.0	98.0

Source: NDIC Annual Report (1999-2001)

Cosmetic mismanagement (a derivative of technical mismanagement) consists of hiding past and current losses to buy time and stay afloat, looking, hoping and waiting for miracles to happen. This depicts the typical practice of some bank managers in Nigeria which include systematic roll-over of matured fixed deposits, under-capitalization, accruing interest income on delinquent facilities, keeping dividends constant on spurious earnings, fictitious collarterisations, particularly before the introduction of prudential guidelines.

Desperate management is a condition where bankers see themselves in danger to declare, among others, capital reduction, operational loss, and no dividends. The main unwholesome practices in desperate management by Nigerian bankers include speculations particularly by the distressed banks which used to pay above the market interest rates for deposits and charging higher interest to borrowers. A bank that was known to be illiquid continued to rollover interbank takings at 50% interest rates. Meanwhile; it was grossly undercapitalized as over 76% of its loans were not performing.

He further explained that fraud is part of the delinquent features that turn good bank managers into bad ones. When there are too many of them; the affected bank might have lost its capital several times before it knows. The management and staff of many banks extend loans under suspicious circumstances and wanton violations of their credit policies, thus making it extremely difficult or impossible to recover all or a substantial part of such loans. The situation described here is reminiscent of what obtained in our banking system as a result of fraud. He presented table 2:4 below to show the amount lost through fraud and staff disciplined as a result of fraud.

TABLE 2:4
EXTENT OF FRAUDS AND FORGERIES IN BANKS 1989-2001

Year	Amount Involved (N‘m)	Actual/Expected Loss (N‘m)	No.of Staff Terminated/Retired Dismissed for Frauds
1989	105.0	15.3	313
1990	804.2	55.8	417
1991	388.6	26.7	514
1992	411.8	73.1	436
1993	1,419.1	246.4	516
1994	3,399.4	950.7	737
1995	1,011.4	229.1	625
1996	1,600.7	375.3	552
1997	3,777.9	226.5	566
1998	3,196.5	692.3	311
1999	7,486.3	2,730.1	596
2000	2,851.1	1,080.6	493
2001	11,243.9	906.3	152

Source: NDIC Annual Report (1989-2001)

(g) Aftermath of Competition: Alashi further explained that the deregulation of the economy has brought about increased competition and innovation in the market place. The increasing competition and innovation have equally brought about visible traces of strains into the banking system.

(h) Ownership Structure/Political Interference: Owner's direct intervention, most especially in government controlled banks, in the internal operation of the banks has contributed to distress in some of them. In private banks, the prevalence of boardroom quarrels and insider abuse are precarious cankerworms causing distress in some of them.

Extent of Banking Crisis in Nigeria: He gave brief details of the extent of banking crisis and that they have been well documented in the literature of Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC).Table 2.5 below gives details of the crisis.

TABLE 2.5.CALCULATED RATIOS OF DEPOSITS AND ASSETS AND

RECAPITALIZATION REQUIREMENT OF DISTRSSED BANKS

	Selected Indices of Banks in Crisis in Nigeria											
S/N Description	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
1 Number of banks	107	119	120	120	116	115	115	115	89	90	89	90
2 Number of Distressed Banks	9	8	16	33	55	60	50	47	15	13	12	9
3 Ratio of Deposits of Distressed Banks to Total Depsoits(%)	14.6	4.4	18.1	19.2	29.4	14.1	14.7	9.0	3.5	1.6	2.5	2.0
4.Ratio of Distressed Banks assets to total Assets of all banks (%)	23.7	16.4	20.9	16.1	18.6	19.8	11.0	7.6	3.9	1.5	20.0	3.0
5 Amount Required for recapitalization Dist.Bank(₦ 'billion)	2.0	2.4	5.5	13.6	23.4	30.5	43.9	42.8	15.5	15.3	10.3	12.1

Source:NDIC and CBN Annual Reports (2001)

From table 2.5 as per his analysis, the number of distressed banks fluctuated from 9 in 1990 and peaked at 60 in 1995 before it dropped to 50 and 47 in1996 and 1997 respectively. The ratio of deposits of banks in crisis to total deposits of the banking system peaked at 29.4% in 1994 from where it fluctuated to 2.0% in 2001. Also, the ratio of total assets of distressed banks to total assets of all banks at a high of 23.7% in 1990 fluctuated to 3.0% in 2001.These indices point to the fact that banking crisis in Nigeria in recent years has not been systemic and the industry is stable as the Regulatory Authorities have the resources to resolve the crisis and many banks are making commensurate profits.

Alashi further explained from the table that an indication of the depth of bank distress in Nigeria is the amount required to make them adequately capitalized for their volume of business and that would enable them to operate in a safe and sound manner. From an additional capital requirement of ₦2.0 billion in 1990 for 9 distressed banks, the amount multiplied by a factor of about 22 to a staggering ₦43.9billion for 50 distressed banks at the end of 1996 before it marginally dropped to ₦42.8 billion for 47 distressed banks in 1997. Therefore, the erstwhile shareholders could not muster the human and financial resources to resuscitate these banks.

In analyzing the implications of banking financial distress to the Nigerian economy, he stated that banking distress could result in serious economic disequilibrium and distortion which if not properly managed could portend doom and even lead to economic depression. The following are the adverse effects of banking crisis on the economy:

(a) Erosion of Public Confidence: The greatest havoc of bank distress is the erosion of public confidence in the system especially if the distress is not well managed. Banking is built on trust and confidence. Once the trust and confidence are misplaced, banks would no longer be efficient in playing their role of financial intermediation.

(b) Economic Effects: Banks are central to an efficient and effective payments system in any country. With banking crisis, the payments system would be perilous and at great risk as the link between the real sector and the financial sector including international settlement would be greatly impaired. Failed banks would be incapacitated from extending new credit. The healthy banks would equally be constrained from granting credit for fear of such facilities becoming delinquent.

(c) Global Effect: The banks are the financial gateway to a country and serve as primary counterparts of foreign creditors. With bank distress, the international perception of the banking system would be that of suspicion as it would be feared that their funds could be locked up and/or lost in the banking system. In most cases, the international community would not extend credit to a country in which its banking system is distressed. This would compromise foreign investment and lead to escalation of capital flight out of the country.

Alashi explained that the resolution threshold adopted should be such that would minimize the likelihood of having to bail out uninsured depositors and creditors. Before considering the resolution options, the following conditions should be in place:

i. A strong political will on the part of the government of the federation;

ii. A stable macro-economic environment with few relative price distortions;

iii An enabling environment that favours growth and competition of enterprises;

iv. Effective bank supervision and enforcement of regulations;

v. An effective receiving agency with adequate powers and backed by the central bank.

vi. Appropriate legal framework that favours financial discipline in the country.

vii. Transparent accounting standards that must be used by all financial institutions

x. Availability of a cadre of truly professional bankers of integrity.

The resolution options are:

(a) Pay-off: This involves the payment of insured deposits up to the insurable limit to the depositors of the liquidated bank. Experience in liquidating 33 banks should persuade kin observers, of the system, that the sum insured was the minimum amount depositors could collect in the event of liquidation. The net incomes generated from the assets of banks in liquidation are subsequently shared to uninsured deposits on pro-rata basis.

(b)Insured Deposits Transfer: This involves the transfer of insured deposits of the failed bank to another bank(s) preferably within the same locality. The acquiring bank(s) will be given enough cash and/or risk less assets to cover the insured deposits transferred from the failed bank.

(c) Bridge Bank: Under this option the assets and liabilities of a failed bank are assumed by a new bank specifically set up for that purpose. The bridge bank would be operated for about 2 years after which it would be sold to fresh investors. The shareholders of the failed bank would be given little or no monetary consideration since they would have lost their investments in the failed bank. The major advantage of this option as posited by Alashi is that it would permit continuity of banking services to all customers and fully protect all the depositors and creditors of the failed bank.

(d) Purchase and Assumption (P&A): This is akin to a merger by which a healthy institution offers to purchase the assets and assume the liabilities of a distressed bank.

(e) Open Bank Assistance: Allowing a failed bank to continue to operate in the same name as a going concern is called open bank assistance. It would involve change in ownership and management of the bank, injection of fresh funds in the form of equity and/or loan capital; and reorganization and overhauling of the bank including rationalization of staff and branches.

In his concluding remark, Alashi stated that Nigeria witnessed systemic banking crisis from 1929 to early 1950s and a generalized banking distress from 1989 to 1998. It has been established that the 12 closed banks accounted for between 52% and 100% of the non-performing loans as at the date of closure. Also, fraud was established to have caused the demise of some of the closed banks. The negative borrowing culture and asymmetry information are also fingered as major causes of banking crisis. He stated further that early detection and timely application of appropriate measures are crucial for effective management of banking crisis.

2:5.3 THE CAUSES OF FINANCIAL DISTRESS IN LOCAL BANKS IN AFRICA AND IMPLICATIONS FOR PRUDENTIAL POLICY

Brownbridge, (1998:2-28) stated that banks can provide benefits to the domestic economies but they also present risks, with many having suffered financial distress and bank failure as a result of non-performing loans. The severity of bad debt problems was attributable to moral hazard on bank owners and the adverse selection of bank borrowers, with many banks pursuing imprudent lending strategies, in some cases involving insider lending. He defined them as financially distressed when they are technically insolvent and/or illiquid. Moral hazards or an adverse incentive is a concept with relevance to a variety of principal agent relationships characterized by asymmetric information. Brownbridge sees the moral hazard as the adverse incentives on bank owners to act in ways which are contrary to the interests of the banks creditors (mainly depositors or the government if it explicitly or implicitly insures deposits), by undertaking risky investment strategies (such as lending at high interest rates to high –risk borrowers) which, if unsuccessful, would jeopardize the solvency of the bank. Bank owners have incentives to undertake such strategies because, with limited liability, they bear only a portion of the downside risk but stand to gain, through higher profits, a large share of the upside risk. In contrast, the depositors (or the deposit insurers) gain little from the upside risk but bear most of the downside risk. The inability of depositors to adequately monitor bank owners, because of asymmetric information and free-rider problems, allows the latter to adopt investment strategies, which will entail higher levels of risk (not fully compensated for by deposit rate risk premiums), than depositors would prefer.

Stiglitz and Weiss, (1981) (as cited in Brownbridge, 1998) said an increase in the interest rate might lead borrowers to choose investment with higher returns when successful but with lower probabilities of success. Brownbridge attributed the other following factors to moral hazard on bank owners:

Macroeconomic instability can also worsen adverse incentives, if it were to affect the variance of the profits of the bank's borrowers, especially when there is covariance between borrowers' profits (e.g. if a large share of borrowers are in the same industry) or if loan portfolios are not well diversified among individual borrowers.

The expectation that the government will bail out a distressed bank, weakens incentives on bank owners to manage their asset portfolio prudently and incentives on depositors to monitor banks and choose only banks with a reputation for prudent management. Deposit insurance also reduces incentives for depositors to monitor banks.

Bank capital is another factor which moral hazard is inversely related to. The owners of poorly capitalized banks have little of their own money to lose from risky investment strategies. By implication, financial distress in the bank worsens moral hazard, because, as the value of the bank's capital falls, the incentives on its owners to pursue strategies, which might preserve its solvency, are reduced. (Berger et al., 1995) (as cited in Brownbridge, 1998:11).

Brownbridge concluded that many of the local banks set up in Kenya, Nigeria, Uganda and Zambia have been closed down or taken over by their Central Banks because of insolvency and illiquidity caused by non-performing loans. The severity of bad debt problems was attributable to problems of moral hazard and adverse selection.

2.5.4: INCENTIVES AND THE RESOLUTION OF BANK DISTRESS

Glaessner and Mas (1995: 53-76) argued that insolvent banks have precipitated recurring problems in many developing countries. In Latin America these problems have often been protracted and systematic; some countries, such as Argentina, Chile, and Uruguay, have experienced system-wide crises, while others, such as Bolovia, Brazil, Ecuador, Peru, and Venezuela, have managed to defer or contain the problem, often at a high potential cost or in an unsustainable fashion. In many cases, policymakers have implemented preventive measures designed to avert distress rather than remedial measures intended to resolve crises once they occur. In others, institutional arrangements and legal processes have had a negative effect on efforts to resolve financial distress, reducing the incentives of regulators, managers, shareholders, depositors, employees, and borrowers to take the necessary actions, the framework for their execution must be adopted beforehand.

They continued further that to be efficient, reliable, and credible, a policy framework for resolving bank distress must establish incentives for all concerned parties; incentives that preserve financial discipline, induce cooperative solutions, and protect the rights of claimants (by differentiating liability holders according to their seniority and the date of their claims)

According to them, government frequently intervenes in cases of bank distress to ensure the stability of the financial system. Because stability can be maintained only if depositors have confidence in the bank, governments typically take action to insure the value of deposits, either explicitly through formal deposit insurance or through ad hoc measures to prevent bank failures. Such measures alter the distribution of costs associated with financial distress but may also increase the total cost of distress.

Glaessner and Mas in suggesting mechanisms for handling bank distress stated that by its nature, the framework for preventive measures must be established before financial crises occur and must be clear, consistent, and credible. They recommended thus:

a. *Bank rehabilitation:* This entails three types of actions: restoring solvency through a recapitalization scheme that covers all existing losses and provides the institution with an adequate level of capital; restoring profitability by restructuring the institution's staff, operations, cost structure, and physical infrastructure; and upgrading management in the hope that new staff will improve decision-making, risk management, and control systems and procedures. Quick and successful bank recapitalization requires that these actions occur simultaneously.

b. Bank liquidation: Liquidation involves the forced sale of bank assets once operations have been permanently terminated. A bank regulator must decree the suspension of operations, although a judge may also have to issue a cease-and-desist order. Liquidation typically involves the appointment of a receiver, which in most countries will be the central bank or a deposit insurance agency, but may also be a judge. All operations of the bank are suspended, and management and board members are displaced. The receiver takes over the bank's assets and disposes of them, paying each of the creditors according to a hierarchy defined by the laws governing extra judicial liquidations or by the commercial or bankruptcy code.

Glaessner and Mas in analyzing forbearance stated that forbearance may be justified when it does not seek to cover up problems but rather is intended as a respite for institutions that face a financial crisis as well as tough new regulatory standards; if accompanied by more stringent supervision, forbearance may add a touch of pragmatism. But as a rule, they continued that regulatory and accounting standards should be tougher, not weaker, during bank crisis, when adverse incentives may add to the costs of distress. Strict regulatory standards based on rules can mitigate the extent of regulatory forbearance. For these reasons, they profess that an effective legal framework is needed to protect authorities, to provide clear signals to the private sector, and to force policymakers to act promptly. The legal system should clearly specify the circumstances that warrant liquidation, conservatorship, or rehabilitation; the range of the receiver's actions, powers, and rights; and the timing of these actions. The laws regulating banking activity should be tough, but realistic. When requirements are too demanding or costly, the laws are frequently transgressed, undermining confidence in the laws as well as in the regulators who are supposed to enforce them. Because regulators would almost always prefer to rehabilitate a bank than to liquidate it, the legal system should spell out the conditions that would require liquidation.

2.6: This section reviews relevant literature relating to the relationship between bank performance and GDP with a view to determining their co-movement.

2.6.1 ECONOMIC PROFIT AND PERFORMANCE MEASUREMENT IN THE BANKING INDUSTRY.

Kimball (1998:1-19) stated that economic profit is an economist way of defining profit by including opportunity cost of equity capital, meaning that its earnings exceed the returns it might earn on other investment. Earnings will always exceed economic profits. {A}.A manager who maximizes economic profits will add units of equity capital only until the marginal contribution of capital is equal to its opportunity cost, and the average return to equity capital will equal or exceed its opportunity cost. Organizations that make business decisions without explicitly incorporating the opportunity cost of equity will be inefficient users of equity capital engaging in investment projects that generate low returns to shareholders. Kimball explains that economic profit is important in three key areas of bank operations:

1. Strategic decision-making: Businesses with different risk characteristics require different proportions of equity to achieve the same risk exposure. When allocating scarce resources or when deciding to enter or exit a new line of business, managers must compare a return on equity (ROE) for the business unit relative to an appropriate hurdle cost of equity. Business units earning an ROE in excess of risk-adjusted opportunity cost of that equity are candidates to receive additional resources, while those earning less than this opportunity cost of equity are candidates for corrective action.

2. Pricing: Pricing considers risk-adjusted return on capital (RAROC). Managers must assign the appropriate amount of capital and a required contribution to equity must be calculated and incorporated in the price applied to the transaction. Different products, customers or transactions will absorb different amounts of equity capital, with larger and more risky transactions requiring more equity than smaller, less risky ones.

According to Kimball, the risk-adjusted return on capital (RAROC) method of pricing loans in banks is stated thus: Risk-adjusted return on capital (RAROC) computation:

Component	Example	Source
Funds transfer cost of funds	5.45%	Funds transfer pricing system
Required loan loss provision	1.25%	Credit risk model
Direct expenses	.70%	
Indirect expense	.45%	Customer/product cost accounting system.
Overhead	.40%	
Total charges before capital	8.25%	
Capital charge	3.00%	Allocated equity/loan = 12%
Total Required loan rate	11.25%	opportunity cost of equity= 15%
		After tax capital charge
		=.12 ×.15= 1.80%
		Tax rate =.4
		Pre tax capital charge =1.80/ 6= 3.0%

In risk-adjusted return on capital (RAROC) system, the required rate on a loan comprises a cost of funds, a charge for non-interest expense, a premium for credit risk, and a capital charge. The great contribution of the RAROC system is to include explicit charges for both the credit risk premium and the use of capital. By so doing, it ensures that banks price individual loans to cover credit risks and generate an adequate return for shareholders. An example of the use of the RAROC system to price loans is shown in above computation. The capital charge is determined as the product of the proportion of equity capital assigned to support the loan, and the required pre-tax hurdle rate on equity.

From the table a loan rate of 11.25percent will permit the bank to earn a 15percent return on the equity required to bark the loan. If the bank can obtain a rate greater than 11.25percent, then it will earn an economic profit while a loan rate between 8.25 and 11.25percent generate positive earning but an ROE of less than 15percent.

3. Incentives: Here different managers within the organization have varied amounts of specific information concerning their businesses, products, and customers. An organization becomes more efficient by allowing investment and operational decisions to be made by those managers or groups of managers with the most specific knowledge concerning a particular decision. Thus efficient use of specific information argues for a decentralization or devolution of decision-making to those line managers with the most information. Management innovations such as total quality management, quality circles, empowerment, and self-directed teams are all examples of the delegation of decision rights to line managers and employees to make more effective use of specific knowledge.

{B} Kimball continued that the EVA^{SM} performance measurement system: The EVA^{SM} system is built on the concept of economic value added defined as the excess of adjusted earnings over the opportunity cost of capital involved.

EVA = Adjusted earnings $-C^{*}K$.

Where earnings as defined by Generally Accepted Accounting Principle (GAAP) are adjusted to better represent economic earnings is the opportunity cost of equity, and K is the amount of equity used by the unit being measured. EVA^{SM} can be calculated for the organization/firm as a whole, but when used as a basis for an incentive system or to measure the performance of business units or individual managers, the earnings of the amount of equity capital used by these business units must be identified, so that their

EVA^{SM} can be calculated. Managers can improve the EVA^{SM} of their units in three ways: by increasing adjusted earnings, either through improved margins or additional sales; by reducing the equity capital used by the unit, or by reducing the cost of equity. As K decreases, the riskiness of the equity investment increases, and C, the cost of equity, increases, so that EVA^{SM} will increase only if the percentage decline in K is greater than the percentage increase in C.

If a manager focuses on maximizing earnings, or the growth rate of earnings, without taking into account the opportunity cost of equity capital, will invest in new projects until the marginal contribution of the last project to earnings is zero, then there is trade-offs at the margin that many managers believe that EVA^{SM} is superior to more conventional GAAP-based performance measures such as earning on equity (ROE). But if the marginal contribution of the last project is zero, then it is substantially less than the opportunity cost of capital at the margin, and the firm will be investing in equity capital that the shareholders could better employ elsewhere. Such firms will grow and have positive GAAP earnings, but they will be inefficient users of equity and will fail to generate rewards for the shareholders as high as might be obtained in other uses.

If managers focus on maximizing ROE, or the difference between ROE and some hurdle rate, as continued by Kimball, then another problem appears. Logically, maximization of ROE requires that all projects except the one with the highest expected ROE be abandoned. A manager maximizing ROE or the difference between ROE and the opportunity cost of equity capital will pick only the first project with the highest ROE despite the fact that other projects would generate economic profit for the organization. Thus a firm that uses a performance metric based on ROE will under invest and grow more slowly than it should. An organization using EVA^{SM} would avoid either of these outcomes because managers would be forced to internalize the trade-off between growth and the return to additional equity. A manager maximizing EVA^{SM} would invest until the last project generates an ROE just to the opportunity cost of the equity capital employed. Growth would be pursued but only so long as additional projects enhance economic Profit, sustain business and contribute positively to Gross Domestic Product (GDP).

2.6.2: BANKING PRACTICE AND THE NIGERIAN ECONOMY: THE WAY FORWARD.

Ekundayo, (1996:7-14) stated that as bank licensing was liberalized, so was the seed of instability sown in the banking system almost at the same time. The distress syndrome in the financial sector was triggered off by the massive withdrawal of deposits by government agencies and other public sector institutions from the commercial and merchant banks in 1989. The development shook the banking industry to its foundation and exposed the weak financial structure of some banks. In his study, he analyzed the financial sector contribution to Gross Domestic Product, which would have recorded a better performance, if not for the distress;

TABLE 2.6 CONTRIBUTION OF FINANCIAL SECTOR TO GDP 1990-1994

YEAR	1990	1991	1992	1993	1994
Contribution of Financial sector (in₦b)	7.88	8.20	8.52	8.85	9.11
Proportion share of GDP (in %)	8.72	8.67	8.75	8.88	9.02
Position in sector Ranking.	4^{th}	4^{th}	5^{th}	5^{th}	5^{th}

Source: CBN 1995 annual reports (adopted from Chartered Institute of Bankers Journal 1996 p.9)

GDP=GROSS DOMESTIC PRODUCT.

He stated that the financial sector plays a significant role in the growth of the economy, both directly and indirectly. That if banks were in a healthier state, they would have recorded an even better performance and the whole economy would have been in better position. Thus, the distress syndrome ravaging the financial system has been a loss to the economy, in many ways than one and is itself the direct result of the distressed condition of the larger economy.

2.6.3: MICRO AND MACRO DETERMINANTS OF BANK FRAGILITY IN NORTH CYPRUS ECONOMY.

Gunsel (2008) investigated the links between the macro and macro determinants of bank fragility in the North Cyprus economy over the period 1984-2002 for the determination of the factors that influence the probability of bank failure. The model used for the work linked the probability of bank problems to a set of bank specific factors and macro environment that might have exacerbated the internal troubles of the financial institutions .The North Cyprus economy experienced severe economic and financial problems between 2000 and 2002 that out of 37 authorized commercial banks that operated in North Cyprus in 1999, 10 of these banks were revoked from operations while 3 were taken over by other banks. At their micro level research, institutional weaknesses were the main causes of bank failures. From the macro perspective, banks were strongly influenced by contractions that the economy experience over time. Bank sector and currency crisis were highly influenced by a number of macro variables like high interest rate, increasing inflation, output downturns, adverse terms of trade shocks, decline in asset prices, market pressure and losses of foreign exchange reserves. In their micro approach, they used pooled time series cross-section (panel data) to measure the sensitivity of bank-specific data, macro data and contagion effects over time for each bank. The micro approach typically used financial ratios that are in context of CAMELS criteria and evaluated the bank default probability. They asserted that weaknesses of banks can be apparent over time from a number of financial ratios that reflect capital inadequacy(C),excessive credit, poor loan quality or poor fund diversification (assets) (A),management inefficiency (M),lower income (E),liquidity risk (L) and small asset size (S) as reported by banks. The study stated that it has been theoretically and empirically proved by other studies that each of the above categories has an effect on the probability of bank failure. This study employed a set of explanatory variables that captured those weaknesses in the North Cyprus banking sector. In addition to selected microeconomic, bank specific variables identified in the CAMELS macroeconomic variable of real GDP growth was included in the model. Descriptive and expected signs of a number of micro and macro factors were considered by the theory as good indicators of banking fragility in North Cyprus.

In considering macroeconomic environment, the growth rate of GDP was put into consideration, that economic analyst argued that banking crisis is commonly preceded by a significant contraction in real GDP growth. An increase in the real GDP growth rate is negatively related to the probability of failure. The ratio of the budget balance of the Government to GDP captures the financing needs of the central government. An increase in the ratio of the budget deficit to GDP is expected to increase the probability of bank failure. In other words, if the Government is in a strong financial position, it is more likely that it can quickly take precautions to recapitalize problem banks and avoid a crisis situation. It is expected that an increase in the ratio of budget deficit to GDP increases the probability of failure. In analyzing the ratio of domestic credit to private sector to GDP, it was asserted that an increase in public credit to the private sector reflects a rise in the risky credit, particularly following financial liberalization. For this reason an increase in the private credit is expected to be positively related to the probability of failure. Also in analyzing the ratio of domestic credit to public to GDP, he asserted that an increase in public credit to central Bank of North Cyprus is expected to increase the probability of failure and the survival time. The result of the research shows that the growth rate of the GDP is negative and statistically significant at 1% and 5% significant level, This suggest that a sharp fall in the real GDP growth i.e. a reduction in economic activities is associated with an increase in credit risk due to an increase in probability of default on loans in North Cyprus. From his analysis of the report, the findings are consistent with Hardy and Pazarbasiogu (1998), Hutchism and MCdill (1999), Hutchison (2002), and Yilmaz (2003), which suggest that the slow growth of GDP tends to be associated with bank distress. In conclusion of the work, he explained that an understanding of the determinants of bank sector distress would help examiners, supervisors, regulators, investors and policy makers in their decisions to alert management in time, to prevent bank failure. The results confirm that both micro and macro factors are important in determining bank fragility in North Cyprus. That the empirical findings suggest that banking distress is associated with bank specific factors such as low capital adequacy, assets quality, low profitability, low liquidity, and small asset size, as well as macroeconomic characteristics like fall in real GDP growth, high inflation, rising real interest rates, budget deficit, and financial characteristics, such as credit expansion to public and private sector.

2.7: JUSTIFICATION OF STUDY

Having analyzed the various relevant literatures to this work, the following gaps were discovered which this work has successfully filled.

(a)Central Bank of Nigeria (CBN) and Nigeria Deposit Insurance Corporation (NDIC) Collaborative study (1995). While the theoretical study revealed various problems associated with distress in Nigerian economy, the operational results of the banks were not analyzed over the years to detect the key areas that need attention for solid and workable resolution, and the impact of bank failure on GDP. This study was designed to fill the gap by analyzing the financial statements in addition to the field survey to discover the operational causes of distress in the industry performance indices, with a view to proffering solutions that will serve as antidote to distress in the economy. The study also was to discover the sustainable performance growth indices that will aid transformation of the industry

(b) Central Bank of Nigeria Study (2004). The study observed that implementation of various reforms over the years suffered serious setbacks because efficacy of liberalization has often been undermined by the scale of distress, lack of compliance by banks with prudential guidelines, and inadequate supervisory capacity by the regulatory authorities, failure to maintain macroeconomic stability because of Federal Government of Nigeria large budget deficit. Some of their recommendations cannot fully resolve distress. They stated that the emergence of bigger banks in Nigeria suggests that the failure of any of them could have far more serious and long-lasting adverse effects on the economy than the failure of smaller ones. Consequently, a thorough understanding of the underlying causes of bank distress in Nigeria is not only relevant to the country's post consolidated banking industry, but all stakeholders must resolve to contribute whatever they can to prevent its re-emergence. CBN by this statement of theirs requested for empirical work from researchers. This gap created by Central Bank of Nigeria is programmed to be filled by this work in order that financial distress can be resolved and avoided in future by ensuring the institution of financial strategies that will establish good investment policy in the industry..

(c) Alashi (2002) study was on banking crisis causes, early warning signals and resolutions. He analyzed the causes of banking crisis and the effects of the economy. All the recommendations made for distress resolution were medicine after death like pay-off, insured deposit transfer, bridge bank, purchase and assumption, and open bank assumption. The recommendations are to resolve already distressed banks, and not to prevent further distress. This work is to fill the gap created by Alashi's work. The industry needs sound investment policy for effective management of assets and liabilities.

(d) Ekundayo, (1996) who worked on banking practice and the Nigerian economy: the way forward supported his work with secondary data duly analyzed to put the banking industry in better position for better performance for growth, failed to conduct field survey and was not hypothetical which this work was programmed to fill through empirical work on the relationship between bank performance and GDP. Onwumere, (2005) in his work on banking reforms and developing the Nigerian economy condemned the poor implementation of past reforms and recommended the proper implementation of present reforms to positively impact on meeting the development challenges of growth has created a study gap. Since the past reforms failed and the problem of financial distress is still a problem of the industry, there is the need for a study in this area of work which will help to avoid and resolve distress in the banking industry.

(e)The work of Hamel and prahalad, (2001) fieldwork on competing for the future was based on technological transformation strategy, which brought business growth to Hewlett and Packard. My work is to adopt this study by applying financial strategy to transform the financial distress ridden Nigerian banking system to an industry that will achieve performance growth through field survey. The work of Brownbridge, (1998) on the causes of financial distress in local banks in Africa and implications for prudential policy has created gap for further studies as the study was not empirical and also need further studies on solution to the problem, which this new work will take care of. Hopkins and Hopkins, (1995) fieldwork on strategic planning-financial performance relationship in banks: a causal examination came out with the result that strategic planning results in superior financial performance created a gap of how the performance will create a sustainable growth that will put an end to financial distress. This work is set to achieve the gap. Glaessner and Mas, (1995) work on incentives and the resolution of bank distress which supported regulation to be tough and realistic, but was not empirical and needs further studies to complete the focus of the work.

Strickland and Thompson, (2005) work concluded that strategic planning is a management game plan for strengthening the organization's position, pleasing customers and achieving performance target. This work carried out an empirical work to complete their assertion

Miller and Cardinal, (1994) conducted a field work on Strategic Planning and Firm Performance: A synthesis of more than Two Decades of Research. The result is that strategic planning in an organization conducts positively affects financial performance. They emphasized size, capital intensity and turbulence, as instruments of strategic planning that will influence profitability and growth. This study worked only on planning, but in the real context and to achieve business growth, in addition to corporate/strategic planning there are more financial strategies, which this study assessed in order to achieve sustainable performance growth and adapt it into Nigerian banking industry.

(f) The literatures reviewed on corporate governance, budgetary control, capital budgetary control, tax planning and leadership explained the problems of ineffectiveness of their implementation in organizations and needed further empirical study on how they can be successfully incorporated in the banking industry as part of financial strategies for better and sustainable performance. The work was programmed to fill the gap especially where the studies revealed action taken after the problem had occurred, but this study is proffering permanent solution that will put an end to the distress in the banking industry.

The work of Kimball on economic profit and performance measurement in the banking industry is a good concept explained to enhance the performance of the banks, but did not indicate how it could be incorporated into the bank operations as strategy to achieve sustainable growth. This work was designed to achieve this gap.

The work of Gunsel (2008) is a replica of what Nigerian banking industry is facing. The work is in focus with the objective of this work. However, in analyzing the performance indices needed to aid the performance of GDP in the banking sector of North Cyprus, there is a gap created between indices of that country and that needed for Nigeria. They outlined capital adequacy, assets quality, profitability, and liquidity. In analyzing the indices needed for performance in Nigeria economy in order to maintain stability, sustainability and growth in GDP, dividend paid and tax paid are part of Nigeria performance indices in addition to the listed four in Cyprus. In the final analysis, the Overall gap is to empirically proffer remedies to financial distress which other researchers were unable to achieve to achieve and ensure stability of business. The work aligns with the work of Aziz(2007) which is on financial and business strategies adopted to transform Malaysian banking industry.

2.8: THEORETICAL FRAMEWORK

This work is researching into solution to financial distress in the Nigerian banking industry; the theories that support and give shape to this work are three-fold. The theories formed the basic structures upon which the work is based.

The contingency approach: Donnelly, Gibson and Ivancevich, (2005:9-10) explained that this systems approach forces managers to recognize that organizations are systems made up of interdependent parts and that a change in one part will affect other parts.

They are of the opinion that there is no best way to plan, organize, or control, but that managers must find different ways to fit different situations. The contingency approach seeks to match different situations with different management methods.

Wiio and Golhabe, (1993:1-9) explained that in contingency theory of leadership, the success of the leader is a function of various contingencies in the form of subordinate, task and/or group variables. The effectiveness of a given pattern of leader behaviour is contingent upon the demands imposed by the situation. These theories stressed the need for the using of different styles of leadership appropriate to the needs created by different organizational situations. Fielder's contingency theory according to Wiio and Golhabe, asserts that group performance is contingent on the leaders psychological orientation and on three contextual variables: group atmosphere, task structure, and leaders power. They also explain Vroom and Yelton's decision participation contingency theory or the normative decision theory, which states that the effectiveness of a decision procedure depends upon a number of aspects of the situation; the importance of the decision, quality and acceptance; the amount of relevant information possessed by the leader and subordinates; the likelihood that subordinates will accept an autocratic decision or cooperate in trying to make a good decision if allowed to participate; the amount of disagreement among subordinates with respect to their preferred alternatives.

General system of performance theory: The concept of performance pervades nearly all aspects of life, especially decision-making processes that involve human and artificial systems. Although a considerable body of material known as "general system theory"exists, the concept of performance has not been incorporated in it nor has performance been addressed in a general sense elsewhere.(http://www.ee,uta.edu/hpi/pages/gspt-man).Most knowledge that does exist about performance and its quantitative treatment has evolved within specific applications, where generalizations can easily be elusive or seemingly unimportant.

General Systems Performance Theory (GSPT) was developed in response to these observations. Its broad objectives are to:

i. Provide a common conceptual basis for defining and measuring all aspects of any systems performance.

ii. Provide a common basis for the analysis of any task in a manner that facilitates system-task interface assessments and decision-making.

iii. Identify cause and effect principles that explain what occurs when any system is used to accomplish any given task.

The following are the striking features of GSPT:

a. The consistent use of a resource constructs to model all aspects of systems performance i.e performance capabilities.

b. The non-linear threshold effect associated with resource economic mathematics (i.e. the idea that the amount of resource availability must exceed the amount that is demanded) at play at the system task.

PRIMO-F business growth model. This model was developed as part of a SWOT analysis of an organization, which provides a consistent framework for comparison either from within the organization or benchmark against a previous analysis or benchmark against other organizations. The PRIMO –F model was based on work from Durham University Business School (DUBS), what makes an organization and its management effective. The model demonstrated that an effective organization needed to fulfill the following equation:

ORGANIZATIONAL GROWTH EFFECTIVENESS

=

PERFORMANCE TO DATE × POTENTIAL FOR THE FUTURE.

Where performance to date (FIMO) included:

Finance, Marketing and Operations and potential for the future (RECoIL) included: Resources, Experience, Controls and Systems, Innovation and Leadership. This was sometimes called FIMO/RECoIL .They opined that at its most simplistic the model can be used as an agenda for change, when with the management team and between them they score the business and action.

2.9: FRAMEWORK PROPOSAL: CAUSAL LINK BETWEEN MODEL AND RESEARCH WORK.

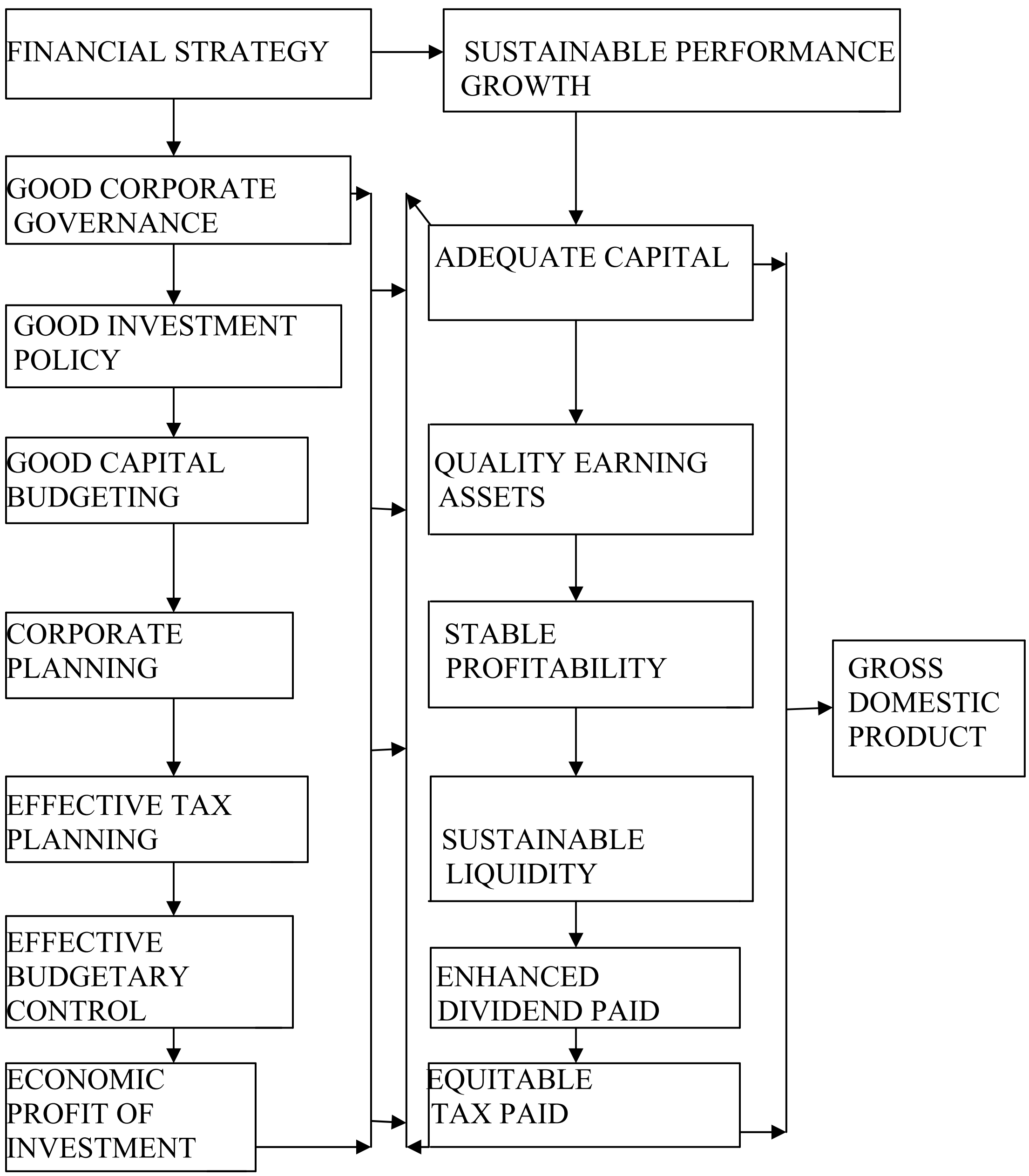
The banking industry has been experiencing financial distress from pre-independence to date. The Federal Government of Nigeria and Central Bank of Nigeria have introduced many reforms measures, policies and models, yet the problem persists. The Central Bank of Nigeria and Federal Government of Nigeria have been working on external operations of the problem rather than looking at both the external and internal operations altogether.

The first theory looks inward at the organizations that every organ of the system works with one another. In as much as a particular organ of the organization is quite defective, it will impact negatively on the whole system. The theory sets the manager to look at the best approach that will take this industry out of distress. This is what the work has done by examining all the alternative models and chose financial strategy that will help the industry to achieve performance for sustainable growth, achieve the best investment policy that will focus on better management of assets and liabilities, establish performance indices that will contribute positively to the growth of the economy via GDP, and establish good strategic planning for stability and sustainability.

The second theory of General System of Performance theory provides a common conceptual basis for defining and measuring all aspects of any systems performance capabilities and that the amount of resources availability must exceed the amount that is demanded. The theory has aided the analysis of the performance of the industry from 1998 to 2007 and discovered the hidden conceptual issues of Non-availability of financial strategy, poor investment policy, poor management of assets and liabilities that created liquidity problem, fall in the industry contribution to GDP, poor corporate planning and poor implementation of other strategic planning indices like budgetary control, and tax planning. It has been established that bank resources have not been put into effective use to achieve sustainable performance that will resolve and avoidance of distress. (CBN and NDIC, 1995)

The third theory PRIMO-F business growth model is very relevant to achieving growth by implementing financial strategy to achieve good performance for sustainability and stability. We have been able to establish organizational growth effectiveness by analyzing the performance of the industry to date (1998-2007) and through the primary and secondary model that the only way to avoid distress is to enhance growth in capital,assets,profit,liquidity,dividend paid and tax paid by implementing good corporate governance, good investment policy, good capital budgeting, corporate planning, effective tax planning, and effective budgetary control, which will positively impact the nation's Gross Domestic Product(GDP).The only way to measure growth effectiveness is by linking it with GDP performance. The results of the findings through the models have contributed to a model discerned to bring the industry out of problem of financial distress. The model below is designed to transform the banking industry in Nigeria.

TRANSFORMATION FINANCIAL STRATEGY MODEL FOR DISTRESS RESOLUTION IN NIGERIAN BANKING INDUSTRY:



Source: Field Survey 2010

With the contingency approach adopted, we have chosen the best alternative to avoid and resolve distress in the banking industry which is the financial strategy. All components of the strategy that will work together to achieve a sustainable performance growth are good corporate governance, good investment policy, good capital budgeting, corporate planning, effective tax planning, effective budgetary control and economic profit of investment. They have been empirically tested, and discovered that any missing aspect of the components will not produce the desired result (Field Survey,2010). This becomes a general system of performance that measure all aspects of any systems performance capabilities, and that the amount of resources available must exceed the amount that is demanded. When these strategies are put into full capacity utilization they will produce sustainable performance indices that will produce growth and swallow distress. The indices that will measure the growth are adequate capital, quality earning assets, stable profits, enhanced dividend and equitable tax paid. These indices have been tested using multiple linear regression and growth change model which was measured against the nation's GDP. From this model discerned, the financial strategy will produce sustainable performance growth and will enhance the banking industry's contribution to Gross Domestic Product (GDP).

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction:

The study is basically an empirical and descriptive work involving the study of sample chosen from the population to assess the impact of financial strategy as determinant support for the avoidance and resolution of distress in Nigeria banking industry, in order to put an end to this national phenomenon. It is aimed at ensuring sustainable performance growth that will achieve this feat.

3.2 Study Area:

This study was centered on financial distress in Nigeria banking system. The study covered the 24 emerged mega banks after the completion of bank consolidation through mergers and acquisition in the Nigeria banking system, and the five regulators in the banking sector viz: Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), Institute of Chartered Accountants of Nigeria (ICAN), Chartered Institute of Bankers of Nigeria (CIBN) and Nigerian Stock Exchange (NSE)

3.3 Research Design:

This study was designed to find out if financial strategy would lead to sustainable performance growth that would serve as antidote to distress in Nigerian banking industry.

The study is broken into the following:

1. The banking industry was taken as the population for the research work.
2. All the 24 universal banks, and the five regulators were taken as representative samples in view of the recent consolidation that reduced the operating 89 banks to its present number of 24.This was to give easy access to information directly from the banks, from

Nigeria stock exchange (NSE) Central Bank of Nigeria (CBN) Annual Bulletin, Nigeria Deposit Insurance Corporation (NDIC) Annual Bulletin, National Bureau of Statistics Publications. Two types of data were used for the study:

i. Primary data were obtained from response to corporate questionnaire from the target group, which was each corporate entity in the banking industry i.e. the 24 banks, the three regulatory authorities (Central Bank of Nigeria, Nigeria Deposit Insurance Corporation and Nigeria Stock Exchange) and two of the professional bodies that control and regulate professional ethics in the industry (Chartered Institute of Bankers of Nigeria and Institute of Chartered Accountants of Nigeria)

ii. Secondary data was collated from ten years past performance of the 24 megabanks that made up the sample to determine and evaluate the relationship of capital, assets quality, profitability, liquidity, dividends paid, tax paid and Gross Domestic Product (GDP) from 1998 to 2007 (10 years). Qualitatively, the impact of management on the performance was analyzed which effect will be determined by the type of corporate governance in place in each institution. The secondary data was to determine the correlation between bank performance and Gross Domestic Product and also the growth change in all the indices to determine the co-movement between banks performance and GDP. GDP is an acceptable variable used to measure the performance and growth of an industry in an economy. To obtain accurate and relevant study for the industry, macro data for all the commercial banks before 2002 were obtained, macro data for the banks from 2002 to 2005 were obtained and macro data for the consolidated banks for 2006 and 2007 was obtained. The set of data for all the financial variables for the ten years was aggregated for the analysis. The data were the performance indices on capital, assets, profits, liquidity, dividend and tax paid.

3. Data obtained from the corporate questionnaire (primary data) were analyzed through SPSS to evaluate the objectives of the work and determine the positions of the five hypotheses through the various statistics computed.

4. The macro data compiled from the sampled banks (24banks) for ten years from 1998 to2007 were analyzed to determine the performance trend of the growth variables. The trend was compared with Gross Domestic product (GDP) as dependent variable to determine their co-movement and correlation.

5. Decision was then taken to determine if financial strategy is the real financial technique for sustainable performance growth that will avoid and permanently resolve distress in the Nigerian banking industry.

6. Financial Strategy is defined as the application of accounting tools, skills and techniques to achieve the corporate objectives, corporate goals and to ensure an organization achieve a performance for sustainable growth.

7. The questionnaire is broken into five sections with each section containing research questions that addressed and evaluated the main objective, the four specific objectives and the five hypotheses.

3.4: Population, Sample Representatives and Sampling Technique

The population for this study is the banking industry in Nigeria which is made up of the 24 consolidated universal mega banks, all the mortgage institutions in Nigeria , all the micro-finance banks in Nigeria ,all the discount institutions, and the five regulatory bodies that have direct link with banking business in Nigeria viz: the two supervisory and regulatory authorities-CBN and NDIC that issue monetary policies for the industry , regulate the operations of the industry , are involved in monitoring the banks and sell or liquidate distressed banks , two professional bodies that have been regulating ethics in the industry for more than a decade and support the CBN and NDIC in policy issues and mergers and acquisitions of banks in the industry -ICAN and CIBN and the capital market regulatory body that handles the industry capital floating and daily trading of their shares -NSE

The study covers all the 24 consolidated universal banking institutions and the five regulatory bodies in Nigerian banking industry. The decision to use all the consolidated 24 commercial mega banks and the five regulators was based on the following:

a. Quoted companies by law as stated in Companies and Allied Matters Act-CAMA 1990 as amended are obliged to furnish and publish their annual audited accounts for shareholders and all stakeholders. Companies that are not quoted are also by law obliged to have their accounts audited by independent auditors. All the accounts of banks must be submitted to Central Bank of Nigeria for the preparation of the annual statistical bulletin. Hence i accessed the needed information of the 24 universal banks from the Central Bank Annual Statistical Bulletin, Nigeria Insurance Deposit Insurance Corporation (NDIC) Annual Bulletin, and Nigeria Stock Exchange.

b. The management of these banks is separated from the owners and by law of CAMA are obliged to render stewardship account to shareholders and other stakeholders every financial year.

c. The accounts are statutorily audited by independent professional auditors who will submit the results to members during Annual General Meeting of the organization

d. The daily trading in the shares of the quoted banks are published in the daily newspaper and on the daily network news in the television stations.

e. The universal banks are the major bedrock of the economy. Any negative event in this sector will reflect in the general performance of the economy.

f. All the five regulatory authorities were added to the samples for their opinion and data collection where necessary.

The secondary data on capital, assets, profit, liquidity, dividend and tax paid required from the various banks covered ten years from 1998 to 2007.This is the period that generalized distress manifested in the industry and has shaken the foundation of Nigerian economy which is yet to be resolved, and adequate data are available in Central Bank of Nigeria, Nigerian Deposit Insurance Corporation and Nigerian Stock Exchange for this period. The sampling method adopted is judgmental /purposive sampling method. Having weighed the present financial system that consolidated the 89 banking institutions to 25megabanks and later reduced to 24 banks due to another merger, all the banks were represented in the work to give a determined and meaningful resolution to the crisis. Macro data obtained from Central Bank of Nigeria, Nigeria Deposit Insurance Corporation and Nigeria Stock Exchange was used for full representation of all the banks before and after consolidation.

3.5 Performance Indices

The following performance indices were analyzed using secondary data to determine sustainable performance growth in banking industry: Capital, liquidity, asset quality, profitability, dividend payment, and tax paid which are quantitative and corporate governance, which is qualitative in nature.

1: Capital adequacy: Capital is the amount of the owners' interest in the assets of a business. Capital refers principally to funds contributed by the company owners' which consists mainly stock, reserves, and those earnings that are retained in the company.

Capital performs several indispensable jobs in the operation of a company, such as supplying resources to get the company started, providing a base for growth and expansion, defending the company against risk, and maintaining public confidence in the company's management and stockholders. The level of capital in each bank determines the rate at which its services and products can be integrated to customers' desire, needs and locations of potential customers and markets. In the present global integration of the world economies to various countries, the level of capital determines a bank ability to fully integrate its services and products to the global economy. Capital adequacy can be measured where the volume of business has grown more than the capital plus interest, then this formula should be applied to determine the level of increase: Percentage growth in turnover X Percentage growth in inflation X Initial capital requirement.

The research evaluated and determined the effects and contribution of capital as a variable in the determination of financial strategy for performance growth and its correlation to GDP

2: Asset quality: Assets are properties or items owned by a company that are of value which are used to earn income or can be used to pay debts.

Financial institutions assets are their gross loans and advances upon which the ratio of performing loans and advances to the total loans and advances will reflect in their profit level. The quality of their risk assets and other fixed assets will enhance the provision of services to the customers. Banks can strengthen their risk assessment policy during a financial year leaving the banks on a stronger footing. The quality and performance of the banks' risk assets portfolio will have significant impact on their liquidity and solvency. The impact of good risk asset and other assets management to earnings and Gross Domestic Product was assessed.

3: Profitability: This is the system of making or yielding profit by an organization. The ultimate standard of performance in a market-oriented economy is how much net income remains for the owners of a business organization after all expenses are charged against revenue. Most managers will look at both pretax net income and after-tax net income to measure the overall financial success or failure of an organization. Bottom-line indicators of the financial success of a business:

Before-tax net income÷ total assets, net worth, or total sales.

After-tax net income÷ total assets, net worth, or total sales. The work evaluated the correlation of profitability to GDP and its impact on sustainable performance growth. The acceptability of products and services, quality of service provision, the performance of the trading assets will determine the sustainability of profit for growth, expansion and contribution to the economic development of other sectors of the national economy.

4: Liquidity: This is a state of a company being liquid/having more than enough funds to operate their business. One of the most important tasks faced by the management of any bank is ensuring adequate liquidity. A company is considered to be liquid if it has ready access to immediate spendable funds at reasonable cost at precisely the time those funds are needed. This suggests that a liquid company either has the right amount of immediately spendable funds on hand when they are required or can quickly raise liquid funds by borrowing or selling assets. Lack of adequate liquidity is often one of the first signs that a company is in serious financial trouble. The troubled company usually begins to lose funds/deposits, which erodes its supply of cash and forces the institution to depose of its more liquid assets. The work evaluated the correlation of liquidity to GDP and its importance in determining the sustainability and stability of business.

5: Dividend payment: Stock price maximization is the most important goal for most corporations. What determines stock price is the ability of a company to generate cash flows now and in the future. Three factors however determine cash flows, which are: (i).The current level of sales and the expected future growth rate in sales. (ii).The amount of after-tax profit that the company can keep after it has paid its employees and suppliers. (iii).The amount of money a company must invest in plant and equipment. It takes cash to create cash. Reducing asset requirements tends to increase cash flows, which increases the stock price. Companies that successfully implement just-in time inventory systems increase their cash flows, because they have less cash tied up in inventory.(4).The amount of dividend paid to shareholders determines the maximization of the wealth of the investors. The growth in it determines the fulfillment of one of the corporate objectives. The evaluation was carried out to determine its correlation with GDP.

6. Tax paid: A tax is an enforced contribution of money, enacted pursuant to legislative authority, which is assessed in accordance with some reasonable rule of appointment on persons or property within the tax jurisdiction. According to Chartered Institute of Taxation of Nigeria (CITN), this tax is taken by the nation in exercise of its sovereign rights, for the support of government, for the administration of the law, and as the means for continuing in operation the various functions of the state. The compliance with various tax legislation, the understanding and application of such laws determine the tax paid annually to meet the purposes created for it. The size of the bank annual business determines the quantum of tax paid to the government. This was evaluated to determine the correlation with GDP. The professional ability of a bank management to understand tax laws, tax planning and compliance with various fiscal policies on tax matters will engender adequate payment of equitable tax. The level of annual tax paid depends on the level of sustainable growth achieved in the banking institution.

7: Management: This is the body of those in positions of administrative authority. For the core competence perspective to take root in an organization, the entire management team must fully understand and participate in the five key competence management tasks mentioned thus: Identifying existing core competence; establishing a core competence acquisition agenda; building core competence; deploying core competencies and protecting and defending core competence leadership.(Szekely,2005)

The management must also possess the following six characteristics for good corporate governance and for corporate existence:

a) *Experience:* Extensive industry experience with wide range of conditions.

b) *Depth:* Usually high management depth with succession in all functional areas provided internally.

c) *Breath:* Experienced managers in place in all major functional areas.

d) *Integrity:* Established broad reputation for unwavering integrity.

e) *Board of directors:* Active board composed of nationally recognized business leaders serves as a strong check on management.

f) *Track record of meeting goals:* Has long track record of meeting forecasts and goals.

Though management is not part of the financial variables, but the working of these variables cannot achieve result without good management. When good corporate governance is in place in an institution, it will produce good management.

The issue of corporate governance in the banking industry is a big concern as the current problem in the industry started from poor corporate governance. It formed part of indices in the model derived for resolution to the problem of distress.

The following actions were further taken in relation to the performance indices.

i.Multivariate Analysis of Variance (MANOVA) was adopted using the financial strategies to evaluate the strength of the relationship between financial strategy and sustainable performance that will produce all the performance indices.

ii.Multivariate Analysis of Variance (MANOVA) was adopted to assess the investment policies for better policy for appropriate management of assets and liabilities to produce asset quality ,profitability and liquidity in the banking industry.

iii.Multvariate Analysis of Variance, Multiple Linear Regression and Growth model were adopted to examine the relationship between bank performance and Gross Domestic

Product and determine their co-movement using all the performance indices of capital,asset,profit,liquidity,dividend paid and tax paid.

iv.Multivariate Analysis of Variance(MANOVA) was adopted to examine the sustainability of the growth in the Nigerian banking industry by evaluating the relationship between strategic planning and performance with a view to producing all the performance indices.

3.6 Restatement of Hypotheses.

The following are the hypotheses tested for this work: They are stated in null forms.

1. H_0: There is no significant relationship between financial strategy and sustainable performance growth for avoidance and resolution of distress in the banking industry.

2. H_0: There is no significant relationship between strategic planning and business failure and liquidation in the banking industry.

3. H_0: Strategic Planning and Performance do not affect sustainability and stability in the banking industry.

4 H_0. Investment policies do not affect assets and liabilities management in the banking industry.

5. H_0. There is no co-movement between bank performance and Gross Domestic Product (GDP).

3.7. Data Collection Techniques:

The following techniques were adopted to collect and administer the data required for this study:

Primary Data:

Instrument: Corporate questionnaire was used to collect data from the respondents. A corporate questionnaire is a set of questions planned, designed and administered to each of the banking institutions and regulators in order to obtain responses that will be analyzed and interpreted by the researcher to arrive at possible solutions to the research questions. The questionnaire was designed to ask relevant questions on whether financial strategy would enhance performance growth in the banking industry in order to mitigate financial distress. As the views of an individual in one section of the sample is relevant in analyzing the answers given by another individual in another section, the questionnaire featured questions on all aspects relevant to the study. A questionnaire was given to each of the twenty (24) universal banks to complete and one each to the five (5) regulators. That means twenty nine copies of questionnaire were issued to the respondents in the industry

The questionnaire was close-ended and designed in a simple-to-answer form as it provides columns for the respondents to tick any of Strongly Agree, Agree, and Disagree, strongly disagree or undecided options. The five alternatives ensured that respondents gave accurate answer as they could only tick under "undecided" where they are not sure..

(II).Personal interview: Personal interview was conducted with ten CEOs/MDs and a representative of each of the other fourteen banks that are represented in the study. While five other institutions believed that information from their financial statements would satisfy the need of the research. The purpose was to collect information directly from the top management saddled with the responsibility of leadership and formulation of policies and strategies that would determine the fortune of the banks in terms of business operations, growth and sustainability. The questions were structured to cover all the areas of the study in order to discover salient points using their professional experience.

Secondary Data: Ten (10) years published accounts (Macro data) of the sample banks from 1998 to 2007 were obtained from Central Bank of Nigeria, The Nigerian Stock Exchange and Nigerian Deposit Insurance Corporation Annual Publications. The macro data were used for statistical analysis to determine the impact of the six quantitative performance indices/variables and one qualitative variable on the banks. The banks refered to in this study are the universal banks. The Gross Domestic Product (GDP) of the nation for the same period (10years) was taken as dependent variable upon which the six quantitative performance indices/ variables (independent variables) i.e. Capital, Asset quality, Profitability, Liquidity, Dividends paid, and tax paid were analyzed. This is to analyze the relationship between GDP and bank performance over the years to determine the trend of its contribution to the nation's fortune, the change in their growth and if there is co-movement and correlation between them.

3:8 Reliability and Validity Test:

Validity and reliability tests were carried out to ensure that the work is perfect and serves the purposes it is meant to serve.

3.8.1 Validity Test:

The testing of validity is to know if the questionnaire measures what it is supposed to measure or if the real content of the work is measured. In measuring the content validity, the questionnaire was given to three independent assessors aside from the supervisors. The questionnaire was assessed by the Directors of Research of Institute of Chartered Accountants of Nigeria and Chartered Institute of Bankers of Nigeria. The sampling validity was carried out with the same independent assessors to certify that the sample representatives are adequate representation of the population. The questionnaire was presented to the supervisors of this work and other assessors to ensure that the questions were appropriate to elicit responses with the potential to solve the problem of distress in the banking industry.

3.8.2 Reliability Test:

This is to test the scales's internal consistency. That is the degree to which the items that make the scale (research questions) hang together if they are measuring the same underlying construct. Using Statistical Package for Social Sciences (SPSS) to test the reliability under five different models the following results were obtained. The table 3.1 below shows the results:

Table 3.1: Result of Reliability test.

S/N	MODEL	RESULT	CRONBACH ALPHA COEFFICIENT STANDARD
1.	Alpha	0.8360	
2.	Split-Guttman,split-half	0.7173	
	Alpha part 1	0.8012	
	Equal length spearman	0.7175	
	Unequal length spearman Brown	0.7178	
	Alpha part 2	0.7018	
3.	Lambda 1	0.7996	0.70
	Lambda 2	0.8544	
	Lambda 3	0.8360	
	Lambda 4	0.7173	
	Lambda 5	0.8337	
4	Parallel 1-estimated of scale	0.8360	
	Parallel 2-Unbiased estimate	0.8481	
5.	Strict Parallel-estimate	0.8114	
	Strict Parallel-unbiased	0.8316	

Source: 2010 Field results SPSS computation.

The Cronbach alpha coefficient of scale stipulated a standard of above 0.70 for reliability test. From the five various test computed, the result recorded a highest Lambda scale of .8544 (85.44%) and a minimum of .7018(70.18%) higher than the minimum of .7(70%).This shows that all the variables have internal consistency. Reliability is sure. Compared these results with other researchers whose works are relevant, the following reliability results were obtained: CBN and NDIC (1995) =.8355 and .7555; Hopkins and Hopkins (1997) =.8200; Pike (1986) =.8160 and Gunsel (2008) =.8400. CBN (2004) did not compute the reliability ratio. The reliability ratios for this work showing figures as high as .8544,.8360,.8337 show that all the research questions in the questionnaire hang together and have internal consistency in solving distress problems.

3.9 Data Administration:

The questionnaires were administered to the 24 universal banks operating in Nigeria economy viz:Access Bank Plc,Afribank Plc,Diamond Bank Plc,Ecobank Nig Plc,Fidelity Bank Plc,First Bank of Nigeria Plc,First City Monument Bank Plc,First Inland Bank Plc,Guaranty Trust Bank Plc,Intercontinental Bank Plc,Oceanic Bank Plc,Bank PHB Plc,Skye Bank Plc,StanbicIBTC Bank Plc,Sterling Bank Plc,Union Bank of Nigeria Plc,UBA Plc,Unity Bank Plc,Wema Bank Plc,Zenith Bank Plc,Spring Bank Plc,Equitorial Trust Bank Ltd.,Standard Chartered Bank Ltd and Citi Bank Ltd. One (1) copy of the corporate questionnaire was distributed to the Managing Director/CEO of each universal banks selected. Three (3) copies of the corporate questionnaire were sent to the regulators in the industry which are: Central Bank of Nigeria, Nigeria Deposit Insurance Corporation and The Nigeria Stock Exchange. Two (2) copies of the questionnaire were sent to two professional bodies regulating the conduct of examinations for the banking industry which are: Institute of Chartered Accountants of Nigeria and Chartered Institute of Bankers of Nigeria. Twenty nine (29) copies of the corporate questionnaire were administered to all the organizations.

3.10 Method of Data Analysis:

1. *Primary data* were obtained from the sample -using the questionnaire, and the results were analyzed with Multivariate Analysis of Variance (MANOVA) which makes use of the F-formulas. MANOVA (Multivariate Analyses Of Variance) was used to analyze the variance of independent variables. This is the analysis of multiple observations on subjects in experimental or quasi-experimental condition. The work is designed as stated in page 146 on how this model will be adopted to achieve the objectives of the work.

Due to multiple observations made in a data, MANOVA deals with vector of means (i.e. vector of 1 =vector of 2)

MANOVA is used when there is more than one dependent variable. These dependent variables should be related in some way, or there should be some conceptual reason for considering them together.MANOVA compares the groups and tells whether the mean difference between the groups on the combination of dependent variables is likely to occur by chance.

For the analysis of this work as to the suitability of all the data in the questionnaire to solve and eradicate distress in the banking industry, each statement was regarded as dependent variable, while the banking institutions were divided into three groups to meet the conditions for MANOVA as per table 3.2 below:

Table 3.2 Categorization of banking institutions in the Sample

Group/type of bank	Criteria	Grade/ /score	No Of banks
Very Strong bank	Av.Profit before tax of N20million and above	3	13
Strong bank	Av. Profit before tax of N10m to N19m	2	6
Slightly Strong	Av. Profit before tax of N1m to 9m.	1	9
			28

Source: Researcher's Survey,2010

The profit and loss accounts of the twenty four universal banks and income and expenditure statements of the four regulatory bodies were considered in the categorization as all constitute the institutions of study for the research work.

The three categories of banks were regarded as the independent variable. Each dependent variable was analyzed so as to determine the homogeneity and co linearity between the dependent variable and the independent variables.

Statistical Package for Social Sciences (SPSS) was used to perform the analysis of the responses obtained from the field work. In addition to using MANOVA, descriptive statistics was used to analyze the frequencies including the mean and standard deviation of each dependent variable. The mean and standard deviation were computed from the scores obtained from the respondents using likert scale scores as follows: Strongly Agree =5,Agree=4,Disagree=3, Strongly Disagree=2,and undecided=1 while the frequencies were obtained from the percentage of response to each research statement. The mean was computed from the range 1-5

2. Secondary data: The secondary data was analyzed using the following analysis techniques:

i.. Percentage score: This is the system of showing progression or regression of activities over a period of time. It is also a way of computing the position of a segment of the population in the aggregation population. The trend/ growth of the seven quantitative variables over the ten-year period were computed: Viz; Gross Domestic Product, Capital, Assets, Liquidity, Profit, Dividend paid and Tax paid. Percentage score was used to determine the growth change of all the variables for a period of ten years from 1998 to 2007. I applied percentage score for the growth change model for the dependent and independent variables for the period of ten years. This is to evaluate if independent variables-Capital, Asset quality, Profitability, Liquidity, dividend paid/stock price, and tax paid have direct relationtionship with Gross Domestic Product which is the dependent variable.

GDP= f (Capital, Asset quality, profitability, liquidity, Dividend paid Tax paid)

In using Growth Change model/ analysis: i.e. GDP *f* (Capital, Asset quality, profitability, liquidity, Dividend paid Tax paid) and since the study is based on growth, the dependent variable will be determined on growth rate of GDP which has this formula:

$$\text{Growth rate of GDP} = \frac{GDPt - GDPt\text{-}1}{GDPt\text{-}1}$$

The same growth change formula was applied for all the independent variables.

ii. Multiple Linear Regression Analysis: Multiple regression is not just one technique, but a family of techniques that can be used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors. Multiple regression is based on correlation but allows a more sophisticated exploration of the interrelationship among a set of variables. The work explored all the six techniques in multiple linear regression analysis to achieve the objectives of this work. These are correlations, collinearity diagnostics, model summary, evaluation of independent variable, normality probability curve, and Analysis of Variance (ANOVA). It also performed the residual statistics by drawing the charts and scatterplot to determine the normality and standardized predicted value.

Multiple linear regression was applied in finding the relationship between the dependent variable (GDP) and the independent variables (Bank performance indices).

Multiple linear regression is one of the linear regression models in multivariate data analysis. The model is fitted by the method of least squares.

Statistical Package for Social Sciences (SPSS) was applied to compute the correlation coefficient and other tests. .

Correlation coefficient: This is to measure the linear relationship between the dependent variable and each of the independent variables. The correlation between the two variables will reflect how well the two variables move together in a straight line fashion.

The variables are highly correlated if they move well together. This will be indicated by the correlation coefficient. The population correlation coefficient is denoted by ρ.The coefficient ρ can take on any value from -1 through 0 to 1.

The possible values of ρ and their interpretations are given below:

1. When ρ is equal to zero, it means there is no linear relationship between GDP growth rate and any of the independent variables being analyzed.

2. When ρ=1.it means there is perfect, positive, linear relationship between GDP growth rate and any of the independent variables being analyzed. That is whenever GDP or any of the independent variable increases, the other also increases; and whenever one of the variables decreases, the other one must also decrease i.eGDP

3. When ρ= -1, there is a perfect negative linear relationship between GDP and any of the variables being analyzed. That is when GDP increases, any of the variables being analyzed will decrease or when GDP decreases, the variable being analyzed will increase.

4. When the value of ρ is between 0 and 1 in absolute value, it reflects the relative strength of the linear relationship between the GDP and any of the variables being analyzed.

This statistical method is to estimate or predict business growth (dependent variable) from the independent variables identified. To strengthen the result of the least squares, the formulated hypothesis will be tested using t-test which was also computed by SPSS.

This is to find the estimate parameters, by testing the hypothesis five about the parameters using t-tests.

Hypothesis 5: H_0 There is no co-movement between bank performance and Gross Domestic Product (GDP)

The result was to ascertain by examination of R^2 and ANOVA F-test, analyze the residuals and use the obtained model for estimation and prediction.

The dependent variable is the Gross Domestic Product of the nation while the independent variables are capital, asset quality, Profitability, Liquidity, Dividend Paid and Tax paid.

The justification for the use of multiple linear regression analysis was based on the quantum of data available for the computation. The computation was based on ten years time series which could have been through the use of panel data: pooling cross section time series, but the access to macro data from Central Bank of Nigeria, Nigeria Deposit Insurance Corporation and Nigeria Stock Exchange made the use of Statistical Package for Social Science (SPSS) possible.

Six performance variables for ten years from 1998 to 2007 are broken into two sections:

1998 to 2005= 8years×89 banks = 712

2006 to 2007=2years ×24banks = 48

GDP =1×10years = 10

770

The result of the computation of the data used gives justification for the use of multiple linear regression analysis to analyze the data.

3.11 Expected Results:

Hypothesis one (1) which forms the strong base of the entire study would be valid and accepted if the result obtained leads to a rejection of the null hypothesis (Ho) i.e. if the multivariate analysis of variance (MANOVA) revealed homogeneity, good interrelationship and collinearity between each dependent variable in each cell and the three independent variables which are very strong banks, strong banks and slightly strong banks. It means that there is a strong relationship between financial strategy and sustainable performance growth for avoidance and resolution of distress in the banking industry and hence the null hypothesis would be nullified

Hypothesis two(2) is true, valid and should be accepted if the analysis results in the rejection of the Null hypothesis (Ho) i.e. There is significant relationship between strategic planning and business failure. This means that the calculated critical values computed reflect homogeneity, Significance of the dependent variable to solving liquidation problem, Collinearity of the dependent and independent variables and good interrelationship between them. Then the null hypothesis would be nullified.

Hypothesis three (3) is true, valid and should be accepted if the analysis results in a rejection of the null hypothesis (Ho) i.e. if the calculated critical values show homogeneity in the relationship between dependent and independent variables, if there is collinearity and the significance level of the dependent variable to solving distress in all the independent variable is high. This is then an indication that there is a strong relationship between Strategic planning and good performance for sustainability and stability in the banking industry. The null hypothesis would be rejected.

Hypothesis four (4) is true, valid and should be accepted if the analysis results in a rejection of the null hypothesis (Ho) i.e. if the calculated values show that there is homogeneity in the relationship between the dependent variable and the three independent variables to solving distress problem. This means there is significant relationship between good investment policy and better management of assets and liabilities for performance sustainable growth in the banking industry. Then the null hypothesis would be rejected.

Hypothesis five (5) is true, valid and should be accepted if the analysis results in a rejection of the null hypothesis (H_0) i.e. if the calculated values show that the dependent variable is significant to the independent variables, there is collinearity of the dependent variable and the three types of banks and the relationship shows homogeneity. This means there is a co-movement between bank performance and Gross Domestic Product (GDP). Hence, the null hypothesis would be nullified.

3.12 Chapterization

The work is broken into five chapters. Chapter one analyses the background to the study which covers the era of banking and phenomenal events from pre-independence to date and gives the introduction of the problem assessment, purpose and objectives of the study, statement of problem, significance of study, methodology, scope and operating definitions, Hypothesis and research questions.

Chapter two provides the theoretical framework and literature review of the study from the past works of researchers. It reviews the back ground to the problem of financial distress and various works done by researchers and professional practioners.

Chapter three provides the methodology adopted for the research including data collection procedure, sample population and technique; model specification and statistical tools for the analysis of the work. Chapter four provides analysis of results, and chapter five gives the summary of chapterization of the study, summary of findings, conclusion, areas for further research, recommendations, and contribution to knowledge which features the model propounded.. References to various works of other scholars and scholars were acknowledged using the APA method of referencing. Appendixes to the work are stated at the end of the

CHAPTER FOUR

ANALYSIS AND INTERPRETATION OF DATA

4.1 Introduction:

This chapter was designed to give accurate analysis to the responses obtained from the questionnaires administered to the corporate organizations in the banking industry. This analysis will enhance accuracy in the statistical test of the hypotheses and give dependable reasons for conclusion and recommendations. It was also designed to give opportunity for the analysis of the key performance indices of the banks' for the past ten years under the research work i.e. 1998 to 2007 using the banks audited financial statements. The key performance indices in quantitative forms are capital, liquidity, assets, profits, dividend paid and tax paid using the macro figures from Central Bank of Nigeria, Nigerian Deposit Insurance Corporation and Nigerian Stock Exchange. The secondary data analysis is to reveal the effect of corporate planning, corporate governance, investment policy, budgetary control, capital budgeting and tax planning on bank performance and co-movement with Gross Domestic Product.

4.2 Response to Questionnaire:

In order to have diversified opinions as to the main issue of the research work, twenty nine copies of the questionnaire were administered to all the twenty four universal banks as at 2007,the three regulatory authorities(Central Bank of Nigeria(CBN), Nigerian Deposit Incorporation Corporation(NDIC), and Nigerian Stock Exchange(NSE) and two professional bodies in the field of accounting ,and banking and finance (The Institute of Chartered Accountants of Nigeria (ICAN) and The Chartered Institute of Bankers of Nigeria (CIBN). The questionnaire was divided into two sections which are:

Section A: Contains personal data of the organizations in the sample representatives.

Section B: The Research statements in the questionnaire which are thirty five were stated to test the previously stated hypotheses

Table 4.1 Response to Questionnaire

1.	Copies of corporate questionnaire administered	29
2	Copies of corporate questionnaires returned	28
3.	Copy of corporate questionnaire not returned	1
4.	Percentage of questionnaires returned	96.55%
5.	Percentage of questionnaires not returned	3.45%

Source: Field Survey, 2010

96.55% response from the sampled population is considered reasonable for this work and the 3.45% not received is insignificant. The organization that failed to respond is Nigerian Stock Exchange which believed that organization's fact books should satisfy all requirements for this work.

SECTION A

Organizational personal data

1. Table 4.2; MANAGEMENT SYSTEM (MGT)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	sm	28	100.0	100.0	100.0

Source: Field Survey, 2010

The table reveals that all the respondents installed strategic management system in managing the organization resources thereby having 100% in the type of management system. The strategic management system of an organization is to plan the objectives of the organization; formulate the policies for the organization for future profitability, future market and adequate working capital within the system. This type of management system is being performed by the board and top management staff, and is superior to the other two types of management which are the tactical and operational management systems.

2. Period a staff can serve the organization before retirement.

Table 4:3. PERIOD OF SERVICE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-5yrs	3	10.7	10.7	10.7
	6-10yrs	2	7.1	7.1	17.9
	Above10 yrs	23	82.1	82.1	100.0

Source: Field Survey, 2010

The table above reveals the period an employee can serve an organization as a going concern before retirement and without an adverse record. 10.7 percent of the respondents have as a policy of a service period of maximum of five years after which the employment can be determined. 7.1 percent have the policy of five to a maximum of ten years active service before the employment is determined, while 82.1 percent of the sampled adapts a policy of above 10years. The implications of the three positions are that the organizations with maximum of five years and ten years will experience high or low staff turnover in order to secure stable career in the profession while the same organizations will not have depth in management. These will always have negative impact on the management of various divisions of the banks with such policies. The organizations with above ten years will always maintain depth in management, continuity in policies and opportunities to review their performances for new strategic formulation.

3. The planning process in the banking organizations

Table 4.4 PLANNING PROCESS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	partipa	18	64.3	64.3	64.3
	topbtm	10	35.7	35.7	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

The table above reveals the types of planning process in the banking institutions in Nigeria. The participatory (partipa) type of planning recorded a percentage of 64.3percent, while the top-bottom (topbtm) approach recorded 35.7percent. The performance implications of participatory are that the managers in these banks are motivated to perform because they have input in the preparations of financial plans, they know their environment of operations and they can defend their plans even with top management input and alterations. They will be able to supply reasons for performance deviations from plans. The top-bottom approach though depending on the type of leadership in place, does not always support growth and good performance in the banking industry. The top-bottom approach is more or less a target set by top management without input from the managers. This system is demotivating and leads to ineffective utilization of resources. Managers are usually punished for non-performance and the system contributes to low returns from various departments of the organizations.

4. Minimum Qualification for employment:

A. Table 4.5 Junior Staff Minimum Qualification

JNRQUAFC

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ssce	7	25.0	25.0	25.0
	OND	10	35.7	35.7	60.7
	Bsc/HND	11	39.3	39.3	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

The table 4.5 above reveals that the banking institutions that employed staff into junior cadre with senior secondary school is 25percent which shows that they need to give the staff intensive training to match the policy of sustainable growth, and such organization will experience less turnover. The OND minimum requirement is 35.7percent and also shows that there is the need for intensive training to integrate the staff into their systems. The organizations with Bsc/HND minimum requirement are 39.3percent of the respondents. These organizations need little training to integrate them into their systems because of training they have received in the higher institutions. The institutions will experience better performance and quality services, but they will experience high turnover because after their training and little experience, they will be searching for higher responsibilities unless they are guaranteed stable employment and good career path.

4. Minimum Qualification for employment

B. Table 4.6: Senior Staff Minimum Qualification.

SNRQUAFC SENIOR QUALIFICATION

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid HND/ Bsc/PROF	25	89.3	89.3	89.3
EXP	3	10.7	10.7	100.0
Total	28	100.0	100.0	

Source: Field Survey, 2010

The table reveals that the financial institutions that employ Bsc/HND holders and professionals into their senior cadre is 89.3% percent of the respondents. This figure has a significant impact on training and ability to operate as tactical and operational managers. With the qualifications they have obtained in their various fields, matched with the on-the-job training after employment, the organizations would have prepared them for challenges and ability to take management decisions. They understand management strategies to effectively put into maximum use the available resources and they are able to take reasonable risks that will not put the organizations into disrepute, unless they have their own hidden agenda.

The institutions that employ staff with experience into the senior cadre represent 10.7percent. These are the organizations that employ senior secondary school and OND into junior cadre and get promotion along the cadre into management positions. Decision taken here is very low, and ability to take reasonable decisions that will benefit the organizations is not strong because of their background. Such organizations are conservative and lack knowledge of financial/investment analysis. In formulating and implementing strategies the first group is better than this group because they have the creativity to perform analysis of actual performance against budgets. That is one of the reasons why some organizations are innovative in ideas while others find it very difficult to embrace change, reengineering reinvent strategies.

4.3 FREQUENCY ANALYSIS OF RESPONSE TO QUESTIONNAIRE ITEMS USING PERCENTAGE.

SECTION B. This section is divided into four sections and they contain thirty five questions to seek opinions relating to the assessment of financial strategy and performance growth in the banking industry. (Appendix 12).Analysis of each section will focus on each objective of the work.

4.3.1: SECTION 1: This section is aimed at evaluating the relationship between financial strategy and sustainable performance growth in the banking industry

4.3. ***Question 1***: Financial strategy provides a central purpose and direction to the activities of the organization, to the staff, and to the world which will positively impact the performance of the organization.

The table 4.7 below reveals that 32.1percent and 67.9percent agreed and strongly agreed respectively that financial strategy provides central purpose and direction to the organization. None of the respondents disagree with the statement as they recorded 0percent. With 100 percent in support of the statement, it shows that financial strategy will positively impact the performance of the banking organizations in the industry..

Table 4.7. CENTRAL PURPOSE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	9	32.1	32.1	32.1
	SA	19	67.9	67.9	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 2: Financial strategy does not correlate with the business of banking, and hence should not be taken into consideration in policy formulation.

The Table 4.8 below reveals that 75percent and 25percent strongly disagreed and disagreed respectively that financial strategy does not correlate with the business of banking, and hence should not be taken into consideration in policy formulation. No respondent agreed or stayed undecided. This result of the field survey reveals that financial strategy correlate with the business of banking, and hence should be taken into consideration in policy formulation in the banks.

Table 4.8 CORRELATION OF BUSINESS OF BANKING WITH STRATEGY.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	21	75.0	75.0	75.0
	DA	7	25.0	25.0	100.0
	Total	28	100.0	100.0	

Source Field Survey, 2010

Question 3: Financial strategy strongly supports performance growth and its proper understanding and implementation leads to sustainable business growth.

From table 4.9 below, 25percent and 75percent agreed respectively that financial strategy strongly supports performance growth and that its proper understanding and implementation leads to sustainable business growth. No respondents disagree or undecided on this statement. The result of the field survey shows that financial strategy is an aid to proper growth and should be properly implemented so that the institutions in the industry can achieve sustainable business growth.

Table 4.9 PERFORMANCE GROWTH

		Frequency	Percent	Valid Percent	Cumulative Percent
A	Valid	7	25.0	25.0	25.0
SA		21	75.0	75.0	100.0
Total		28	100.0	100.0	

Source: Field Survey, 2010

Question 4: The financial distress and liquidation of banking institutions in Nigerian economy is as a result of non-availability of or poor implementation of financial strategy.

The field survey result as per table 4.10 below shows that 3.6percent and 7.1percent strongly disagreed and disagreed respectively that financial distress and liquidation of banking institutions in Nigerian economy were as a result of non-availability and poor implementation of financial strategy. 57.1percent and 32.1percent of the sampled population agreed and strongly agreed that the financial distress and liquidation of banking institutions in Nigerian economy were as a result of non-availability of or poor implementation of financial strategy. From this result, we conclude that financial strategy and its proper implementation will solve the problem of financial distress and liquidation of banks in the banking industry**.**

Table 4.10: POOR IMPLEMENTATION OF FINANCIAL STRATEGY

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	1	3.6	3.6	3.6
	DA	2	7.1	7.1	10.7
	A	16	57.1	57.1	67.9
	SA	9	32.1	32.1	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 5: Periodic review of performance, applicability of responsibility accounting system and instant remedial action support performance growth.

The frequency table 4.11 below reveals the result of the field survey. 17.9percent and 82.1percent of the respondents agreed and strongly agreed respectively that periodic review of bank performance, applicability of responsibility accounting system and instant remedial action will ensure performance growth in the banking institutions. None of the respondents disagreed with the statement. From the result obtained, Periodic review of performance, applicability of responsibility accounting system and instant remedial action will support performance growth, and will also help to resolve distress problem in the banking industry. From the results obtained in all the research questions in this section, it shows that there is a strong relationship between financial strategy and sustainable performance growth in the banking industry

Table 4.11: APPLICABILITY OF RESPONSIBILITY ACCOUNTING

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	5	17.9	17.9	17.9
	SA	23	82.1	82.1	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 6: Financial distress and banking institutions liquidation in Nigerian banking industry cannot be attributed to poor strategic planning in those banks affected.

From table 4.12 below, 3.6percent agreed that financial distress and banking institutions liquidation in Nigerian banking industry cannot be attributed to poor strategic planning in those banks affected. 53.6percent and 42.9percent strongly disagreed and disagreed respectively with the statement bringing the total percentage of respondents that disagreed to 96.5percent. The result therefore shows that financial distress and banking institutions liquidation in Nigerian banking industry can be attributed to poor strategic planning in those banks affected. This brings us to the conclusion that strategic planning is very important to the survival and sustainable business growth of banks.

Table 4.12; ATTRIBUTABLE TO POOR STRATEGIC PLANNING

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	12	42.9	42.9	42.9
	DA	15	53.6	53.6	96.4
	A	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 7: Poor tax planning and non-compliance with tax laws can lead to large cash outflow, when paying the tax liability, and penal charge for non-compliance with the tax laws and regulations.

The field survey result as indicated in the table 4.13 below shows that 3.6percent of the sampled population was undecided on the issue which shows that they lacked the knowledge of tax planning in an organization. 3.6percent of the population strongly disagreed which also means they don't know the importance of tax planning in an organization. 39.3percent and 53.6percent agreed and strongly agreed respectively that poor tax planning can lead to large cash outflow when paying the tax liability, and penal charge for non-compliance of tax laws and regulations. The result shows that tax planning is very important in the banking industry, as it is the taxpayer's capacity to arrange their financial activities in such a manner as to suffer a minimum expenditure for taxes. Tax planning involves the use of foresight and consequently it is concerned with future matters. Tax planning involves anticipating a set of circumstances and the identification of opportunities to minimize or defer tax liabilities within the law. It involves arranging affairs to ensure that the maximum allowances, exemption and reliefs are enjoyed. In-effective tax planning involves paying large cash out of the system because of not obeying the laws and inadequate knowledge of the tax laws.

Table 4.13: POOR TAXPLANNING AND NON-COMPLIANCE WITH TAX LAWS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	SDA	1	3.6	3.6	7.1
	A	11	39.3	39.3	46.4
	SA	15	53.6	53.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 8: Effective budgetary control in the bank enhances profitability and liquidity growth.

From table 4.14 below, it reveals that 28.6percent and 71.4percent agreed and strongly agreed respectively that effective budgetary control in the bank enhances profitability and liquidity in the banking industry. None of the respondents disagreed with the research question which shows the great importance of budgetary control in the banking institutions.

Budgetary control ensures that the objectives of the budgetary plans are achieved. This is by the establishment of budgets relating the responsibilities of executives to the requirements of a policy and the continuous comparison of actual performance with budgeted results so as to achieve either by individual action, the objectives of such policies or to form a basis for their revision. This is to say that the banking industry must institute effective budgetary control system in order to enhance profitability and liquidity growth.

Table 4.14: BUDGETARY CONTROL EFFECTIVENES

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	8	28.6	28.6	28.6
	SA	20	71.4	71.4	100.0
	Total	28	100.0	100.0	

Source: Field Survey 2010

Question 9: The type of leadership in a banking institution does not have any relationship with the performance and business growth.

The result of the field survey as revealed by table 4.15 below shows that 3.6percent of the respondents agreed that leadership in the banking industry has no relationship with performance and business growth. 85.7percent and 10.7percent strongly disagreed and disagreed respectively. With 96.6percent in total disagreement that leadership has no relationship with performance and business growth, it shows then that we cannot but express the importance of leadership in the performance of a bank and the business growth in that bank. Leadership is the capacity or ability to show the way by going in advance; the act of guiding a course, behaviour or opinion of others by playing a principal or guiding role, especially in the creation of the excellent organization. We can not divulge leadership from the performance of the organization.

4.15; LEADERSHIP TYPE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	24	85.7	85.7	85.7
	DA	3	10.7	10.7	96.4
	A	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 10: Management training of staff professionally on the job focuses them on achieving the main objectives of the organization for wealth maximization of investors and value maximization of the company.

The field result as revealed by table 4.16 below shows that 28.6 percent and 71.4percent agreed and strongly agreed that management training of staff professionally on the job focuses them on achieving the main objectives of the organization for wealth maximization of investors and value maximization of the company. None of the respondents disagreed with the research question. This result shows the importance of training in an organization so as to discover the technical ability of the staff. On-the-job-training and training outside the organization either through professional bodies or higher institutions or well established management consultant will enhance the efficiency and effectiveness of the members of staff.

Table 4.16: TRAINING OF STAFF PROFESSIONALLY

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	8	28.6	28.6	28.6
	SA	20	71.4	71.4	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 11: The lack of technical ability and managerial skills of the staff in performing their functions, have been a major cause of financial distress in the banking industry.

The table 4.17 below reveals the result of the field work which is widely spread. 3.6percent was undecided on the subject, 10.7 percent strongly disagreed while

25.0percent disagreed that lack of technical ability and managerial skills contributed to the distress in the banking industry. The total percentage that had an adverse opinion therefore is 30.7percent. The result however shows that 42.9percent and 17.9percent strongly agreed and agreed respectively that lack of technical ability and managerial skills of the staff in performing their functions contributed majorly to the financial distress in the banking industry. With total percentage of agreement put at 60.8percent, it shows that lack of technical ability and managerial skills contributed to the distress in the banking industry and will continue to be so until appropriate step is taken to upgrade the technical ability and managerial skills of the staff so as to be able to manage their functions very well.

Table 4:17 TECHNICAL AND MANAGERIAL ABILITY OF STAFF

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	SDA	3	10.7	10.7	14.3
	DA	7	25.0	25.0	39.3
	A	12	42.9	42.9	82.1
	SA	5	17.9	17.9	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 12: Profitability as a strong variable for growth will have positive impact on capital growth, liquidity growth and performance growth, while lack of it will negate the objectives pf the business for growth.

The table 4.18 below reveals the result of the field work which shows that 32.1percent and 67.9percent of the respondents agreed and strongly agreed respectively that profitability as a strong variable for growth will have positive impact on capital growth, liquidity growth and performance growth in the banking industry through retention and that lack of profitability will negate the corporate objective of the banking institutions for business growth. Among the corporate objectives of the banking institutions are to give maximum returns to the shareholders inform of return on investment to maximize their wealth and also retain profits in the organizations to maximize the wealth of the organization and ensure expansion. Profitability is very important for the evaluation of the performance of the management. The ultimate standard performance in a market-oriented economy is how much net income remains for the owners of a business organization after all expenses are charged against revenue. Most managers will look at both pretax net income and after tax net income to measure the overall financial success or failure of an organization which shows bottom-line indicators of the financial success of a business. None of the respondents disagree with the research statement.

Table 4:18 PROFITABILITY

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	9	32.1	32.1	32.1
	SA	19	67.9	67.9	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 13: Even if the management of the liquidated banks in the banking industry in Nigeria had embarked on corporate planning, the banks would still face the problem of financial distress.

The field result as revealed by table 4.19 below shows that 17.9percent of the respondents were undecided on what would be the position of the distress banks as regards corporate planning, 35.7percent and 35.7percent strongly disagreed and disagreed respectively with the statement, which then means that if the liquidated banks had undergone corporate planning during their distress period, they would have escaped liquidation. 7.1percent and

3.6percent of the respondents were of the opinion that if the liquidated banks had instituted corporate planning during their distress period, the problem of financial distress would still continue. With the opinion of 71percent that institution of corporate planning in the operations of the liquidated banks, they would have escaped distress and liquidation, corporate planning therefore is a strategy to avert distress and liquidation in the banking industry. Corporate planning is the basic goals and objectives of the organization, the major programs of actions chosen to reach these goals and objectives, and the major patterns of resource allocation used to relate organization to its environment. Corporate planning is the determination of the basic long-terms goals and objectives in an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.

Table 4.19 CORPORATE PLANNING

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	5	17.9	17.9	17.9
	SDA	10	35.7	35.7	53.6
	DA	10	35.7	35.7	89.3
	A	2	7.1	7.1	96.4
	SA	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 14: Capital growth is not a considerable factor for business expansion, hence periodic profit after tax can be fully appropriated as dividend to shareholders.

Table 4.20 below shows the result of the field work on capital growth. 7.1percent agreed that capital growth is not a considerable factor for business expansion and hence periodic profit should be distributed to shareholders as the returns on their investment. However, 71.4percent and 21.4percent strongly disagreed and disagreed respectively with the research statement. With 92.8 percent in total disagreement with the statement, it means then that capital growth is a considerable factor for business expansion, and hence periodic profit should not be fully distributed to the shareholders. Certain percentage of the results should be retained for capital growth and business expansion. Retention of profit provides for capital growth and leads to business expansion. The problem of the banking industry that led to distress was their failure to retain enough from their profits made in operations. They could not meet minimum capital and capital requirement when the need for increase in capital arose.

The results obtained in this section confirm that there is a strong relationship between financial strategy and performance and will establish business and growth sustainability in the banking industry.

The field overall results of this section show that there is a very strong relationship between financial strategy and sustainable performance growth to resolve and avoid distress in the Nigerian banking industry

Table 4.20: CAPITAL GROWTH

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	20	71.4	71.4	71.4
	DA	6	21.4	21.4	92.9
	A	2	7.1	7.1	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

4.3.2: SECTION 2: This section is to examine the sustainability of the growth in the Nigerian banking industry by evaluating the relationship between strategic planning and performance.

Question 15: Good corporate governance is a determinant factor for corporate existence to ensure increased capital, liquidity, profitability and efficiency in resources management, absence of which leads to the collapse of business in the organization.

The result of the field survey as indicated in the table 4.21 below shows that 36.7% and 64.3% agreed and strongly agreed respectively that corporate governance is a key determinant for corporate existence. None of the respondents disagreed with the research statement. The result shows the importance of corporate governance to corporate existence as good corporate governance will ensure increase in capital, liquidity, profitability, and efficiency in resources management. The absence of good corporate governance will bring problems to the organization which can eventually lead to business collapse and liquidation. The elements of corporate governance are good board practices, control environment, transparent disclosure, well defined shareholder rights and board commitment. Corporate governance four pillars are: accountability, fairness, transparency and independence and they play out to prevent corporate collapses

Table 4.21 CORPORATE GOVERNANCE AND CORPORATE EXISTENCE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	10	35.7	35.7	35.7
	SA	18	64.3	64.3	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question16. There is no relationship between corporate governance and financial reporting as stakeholders in the business are not concerned about who leads and manage the organization.

The field result of the research question as shown in table 4.22 below shows that 3.6percent agreed that corporate governance has no relationship with financial reporting. 21.4percent and 75.0percent disagreed and strongly disagreed respectively with the statement which means therefore that relationship exists between corporate governance and financial reporting as all stakeholders are interested on who leads and manage the organizations. Therefore transparency and responsibility accounting are very essential in managing the banking institutions for sustainable business growth.

Table 4.22 CORPORATE GOVERNANCE AND FINANCIAL REPORTING

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	21	75.0	75.0	75.0
	DA	6	21.4	21.4	96.4
	A	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 17: Poor corporate governance can result into downturn in business, distress and effectual liquidation of the business.

The result regarding this research statement as indicated in table 4.23 below shows that 3.6percent of the respondents disagreed that poor corporate governance can result into downturn in business, while 32.1percent and 64.4percent agreed and strongly agreed respectively that poor corporate governance can result into downturn in business, distress and effectual liquidation of the business. It can be stated clearly therefore that poor corporate governance is a cause of bank distress and liquidation in Nigerian economy. Good strategic planning will result into good corporate governance that will focus on performance sustainability.

Table 4.23 POOR CORPORATE GOVERNANCE RESULT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	DA	1	3.6	3.6	3.6
	A	9	32.1	32.1	35.7
	SA	18	64.3	64.3	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 18: The sustainable growth in the business of a banking institution cannot be determined by the type of corporate governance in operation.

The result of this research question as indicated in table 4.24 below clearly shows that 3.6percent was undecided on the issue; 3.6percent agreed that sustainable banking business growth cannot be determined by the type of corporate governance in operation. However, 53.6percent and 39.2percent agreed and strongly agreed (bringing the total percent of agreed to 92.8percent) that the sustainable growth in the business of banking can be determined by the type of corporate governance in operation. This means therefore that corporate governance in place in a banking institution will determine the growth or collapse of such organization.

Table 4.24 SUSTAINABLE GOWTH AND CORPORATE GOVERNANCE

	Frequency	Percent	Valid Percent	Cumulative Percent
UD	1	3.6	3.6	3.6
SDA	11	39.3	39.3	42.9
DA	15	53.6	53.6	96.4
A	1	3.6	3.6	100.0
Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 19: Boardroom upheavals and crisis in the banking institutions have very strong negative impact on customers' patronage and expansion of business, and this can be attributed as one of the major causes of financial distress in the banking industry.

From table 4.25 below , the result of the field survey shows that 3.6percent of the sampled population strongly disagreed with the statement that boardroom upheavals and crisis have very strong negative impact on customers patronage and expansion of business. 42.9percent and 53.6percent agreed and strongly agreed respectively that boardroom upheavals and crisis in the banking institutions have very strong negative impact on customers' patronage and expansion of business and is one of the major causes of financial distress in the banking industry. From this result, it is can be asserted that the constitution of the board of a bank and their stability can influence the growth of business and performance. If the board members are connected in the business world, it will positively impact the business, but if constant change in the constitution of the board takes place, it will affect the policy implementation of the bank. When the members' individual objectives are running parallel to that of the organization, there is always crisis and upheavals which has been the major problem in Nigerian banking sector.It is a good strategic policy to appoint people of repute and business magnates in the economy to the board of banks for business expansion and growth in performance.

Table 4.25 BOARDROOM UPHEAVALS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	1	3.6	3.6	3.6
	A	12	42.9	42.9	46.4
	SA	15	53.6	53.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 20: The shareholders lost of their investment and depositors' lost of their deposits in the liquidated banks cannot be attributed to poor corporate governance.

The field result of the response to this research statement is as indicated in table 4.26 below. It shows that 3.6percent of the respondents was undecided and not sure of the position in the industry. 50percent and 32.1percent of the respondents strongly disagreed and disagreed respectively that shareholders lost of their investment and depositors' lost of their deposits in the liquidated banks can be attributed to poor corporate governance. 10.7percent and 3.6percent agreed and strongly agreed that shareholders lost of their investment and depositors' lost of deposits in the liquidated banks cannot be attributed to poor corporate governance. From the frequency of the result, 82.1percent disagreed with the research question. Therefore, shareholders lost of investments and depositors' lost of their deposits in the liquidated banks can be attributed to poor corporate governance. The result shows the importance of corporate governance in the management of banking institutions which has eluded Nigerian banking industry from pre-independence to date.

Table 4.26: LOST OF INVESTMENT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	SDA	14	50.0	50.0	53.6
	DA	9	32.1	32.1	85.7
	A	3	10.7	10.7	96.4
	SA	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 21: Consistency in the constitution of the board of directors and knowledge of the operating environment by the directors motivate the growth and expansion of business.

The result indicated in table 4.27 shows that 25percent and 75percent of the respondents agreed and strongly agreed that consistency in the constitution of the board of directors of banks and knowledge of the operating environment by the directors motivate the growth and expansion of banking business. None of the respondents disagreed with the statement. This therefore shows that there is the need as a strategy for consistence in the board of the banks and the directors to contribute positively to the growth of the business, and must have the full knowledge of the business and the environment.

The results obtained in this analysis show that corporate governance as a strategic planning variable has a very strong relationship with performance and sustainability of business in the Nigerian banking industry. This overall results of the field survey show that sustainability of business growth in the banking industry will be achieved with strong strategic planning implementation that will result into good performance

Table 4.27: BOARD CONSISTENCY

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	7	25.0	25.0	25.0
	SA	21	75.0	75.0	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

4.3.3: SECTION 3: This section is to assess investment policies in the banking industry with a view to suggesting better policy for better management of assets and liabilities

Question 22: Large amount of non-performing loans and advances in the banking industry can be attributed to the unrealizable nature of the securities, and not on the management of these advances.

The table 4.28 below shows that 28.6percent and 60.7percent of the respondents strongly disagreed and disagreed with this notion that large amount of non-performing loans and advances in the banking industry can be attributed to the unrealizable nature of the securities pledged against the facilities and not the management, while 10.7percent agreed with the notion. It is clear from the opinion of 89.3percent of the respondents that the poor and ineffective management of the loans and advances in the banks has been the major factor that has contributed to the non-performing loans and advances. This poor management can also spread to the securities pledged if there is the need for foreclosure.

Table 4.28 SECURITIES NATURE AND NON-PERFORMING LOANS/ADVANCES

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	8	28.6	28.6	28.6
	DA	17	60.7	60.7	89.3
	A	3	10.7	10.7	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 23: There is a strong relationship between good investment policy and effective management of assets and liabilities as they enhance returns on investment and liquidity availability.

From table 4.29 below, 3.6percent and another 3.6percent strongly disagreed and disagreed respectively with the statement, that is in their own opinion; relationship does not exist between good investment policy and management of assets and liabilities. The result shows further that 17.9percent and 75percent of the respondents were of the opinion that there is a strong relationship between good investment policy and effective management of assets and liabilities as they enhance returns on investment and liquidity availability. Therefore, management of assets and liabilities and enhancement of returns on investment and liquidity availability is a function of good investment policy. This has been one of the major problems of financial distress in the Nigerian banking industry. The various investment policies implemented in the banking industry have been ineffective and give room to poor management of liquidity in the system.

Table 4.29 STRONG RELATIONSHIP OF INVESTMENT POLICY ANG MGT.OF ASSETS AND LIABILITIES

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	1	3.6	3.6	3.6
	DA	1	3.6	3.6	7.1
	A	5	17.9	17.9	25.0
	SA	21	75.0	75.0	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 24: A facility approved for a bank customer can become unrealizable immediately after disbursement due to appraisal system.

Table 4.30 below shows that 3.6percent of the respondents was undecided 3.6percent strongly disagreed with the statement and another 3.6percent disagreed with the statement. That is to say that they were of the opinion that a facility approved for a bank customer cannot become unrealizable immediately after disbursement due to the appraisal system. However, 46.4percent and 42.9percent agreed and strongly agreed that a facility for a bank customer can become unrealizable immediately after disbursement due to the appraisal system. With 89.3percent in agreement with the research statement, it shows that proper credit appraisal is very essential when packaging credit facility for a customer. A very poor credit appraisal without following the credit policy of the organization can lead to a bad debt immediately after disbursement, which will definitely affect the risk assets portfolio and income flow, and liquidity position of the bank. This shows that poor credit policy in the bank industry has been the cause of poor credit appraisal.

Table 4.30 FACILITY APPRAISAL SYSTEM

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	SDA	1	3.6	3.6	7.1
	DA	1	3.6	3.6	10.7
	A	13	46.4	46.4	57.1
	SA	12	42.9	42.9	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 25: Growing assets more than liabilities do not create liquidity problem in the banking operations, and cannot lead to financial distress.

The field survey result as shown in table 4.31 below shows that 50percent and 46.4percent of the respondents strongly disagreed and disagreed with the research question, while 3.6percent agreed. With 96.4percent in total disagreement, it therefore means that growing assets more than liabilities will create serious liquidity problem in the banking industry and this will lead to distress. When loans and advances (assets) are booked more than the available deposits, it means that such bank has no money to service withdrawals from customers. This will lead to confidence crisis, as no other deposits will be attracted, income will shrink because the bank will have to make provision for non-performing credits, and they will have to embark on very strong recovery drive which will increase their operating costs. This has been a major problem in Nigerian banking industry as a result of very poor and ineffective credit policy.

Table 4.31: LIQUIDITY PROBLEM AND ASSET GROWING

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	14	50.0	50.0	50.0
	DA	13	46.4	46.4	96.4
	A	1	3.6	3.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 26: A good capital budgetary system is a necessity for liquidity management and timely replacement of productive assets.

The table 4.32 below shows the result of the field work. From the presentation, 35.7percent agreed with the statement while 64.3 also strongly agreed with the statement. This result therefore shows that a good capital budgetary system is necessary for liquidity management and timely replacement of assets. Assets will be bought based on cash provision made for it in the cash budget, the necessity of the assets, and expected returns for such assets. Buying assets without these three principles may lead to cash crunch and distress. The banking institutions in Nigeria have liquidity problem because replacement or acquisition of assets were not done in cognizance with good investment policy by considering the need for such assets, availability of funds and the repayment period for such the assets.

Table 4.32   BUDGETARY SYSTEM AND LIQUIDITY MANAGEMENT

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	10	35.7	35.7	35.7
	SA	18	64.3	64.3	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 27: The institution and implementation of good investment appraisal system in the banking industry will help to determine when to shore up capital base in relation to business activities and its growth.

From table 4.33 below, the result shows that 7.1percent disagreed with the research statement, which is in their opinion, good investment appraisal system will not aid the determination on when to shore capital base. However 42.9percent and 50.0percent agreed and strongly agreed respectively that institution and implementation of good investment appraisal system in the banking industry will help to determine when to shore up the capital base in relation to business activities and its growth. Therefore good investment appraisal system is required in the banking industry as it will bring out the growth in turnover over the years, return on capital employed, when opportunities cannot be accepted because of limited capital, when industry average is not met, when international market cannot be accessed because of limitation in capital, and when inflationary trend calls for review of operations. The result of the investment appraisal will help to determine the need to shore the capital base of the organization.

Table 4.33 INVESTMENT APPRAISAL SYSTEM

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	DA	2	7.1	7.1	7.1
	A	12	42.9	42.9	50.0
	SA	14	50.0	50.0	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 28: Using depositors' money to buy assets for operational activities is a bad investment policy, which can lead to financial distress**.**

From the field work result as revealed in table 4.34 below, 3.6percent of the respondents was undecided as they were not sure of what the position should be. 10.7percent strongly disagreed with the statement that is in their opinion; using depositors' money to buy assets for operational activities is not a bad investment policy and cannot lead to financial distress. 25.0percent and 60.7percent agreed and strongly agreed respectively with the research statement that using depositors' money to buy assets for operational activities is a bad investment policy which can lead to financial distress. With 85.7percent in agreement, it shows that depositors' money must not be used to buy assets because the shareholders funds are meant to procure assets upon which the tax laws grant capital allowances as tax credits for qualifying capital expenditure incurred. Depositors' money are for the day to day running of the organization to earn economic returns in form of Return on Capital Employed (ROC). Depleting the depositors' money on capital items for operational activities is tying down operational funds which can lead to cash crunch and distress. The result shows that this problem is one of the major causes of financial distress in the industry because of poor investment policy.

Table 4.34 DEPOSITORS' MONEY AND ASSET ACQUISITION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	SDA	3	10.7	10.7	14.3
	A	7	25.0	25.0	39.3
	SA	17	60.7	60.7	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 29: It is a good investment policy for a bank to buy adequate fixed assets for operational activities in order to enjoy tax benefits for reduction in tax liability and retention of liquid fund.

The result of the field work as indicated in table 4.35 below shows that 3.6percent was undecided as they were not sure of the statement in their organization. 3.6percent strongly disagreed with the policy, 10.7percent disagreed. However, 67.9percent and 14.3percent agreed and strongly agreed respectively with the research statement. From the result, it is clear therefore that it is a good investment policy for a bank to buy adequate fixed assets for operational activities in order to enjoy tax benefits for reduction in tax liability and retention of liquid fund. If a banking organization lacks the knowledge of tax benefits, they will be paying out so much tax liability which will impact negatively on their liquidity, but a banking organization with knowledge of tax credits will procure qualifying capital expenditure, get them registered with Federal Board of Inland Revenue and obtain certificates that will qualify them to enjoy capital allowances that will enhance fund management through reduced tax liability. This can be realized with good investment policy in place. The banking institutions in Nigeria have not been tapping fully the benefits accruing to them through tax incentives.

Table 4.35 TAX BENEFITS AND FUND RETENTION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	SDA	1	3.6	3.6	7.1
	DA	3	10.7	10.7	17.9
	A	19	67.9	67.9	85.7
	SA	4	14.3	14.3	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 30: Compliance with Central Bank of Nigeria Monetary policy by banks on liquidity ratio can be a factor for resolving distress otherwise distress will continue to be a terminal disease in the banking industry in the absence of liquidity.

The field work result as indicated in table 4.36 below shows that 3.6percent was undecided about the position in their organization. 50percent and 46.4percent agreed and strongly agreed respectively that banks compliance with Central Bank of Nigeria monetary policy on liquidity ratio will resolve distress problem. With 96.3percent in support of the research statement, it means compliance with the Central Bank of Nigeria monetary policy by the banks in Nigeria regarding liquidity ratios will help in no small measure to resolve distress. Central Bank of Nigeria has a policy that a minimum of 30percent of banks liquidity should be kept in liquid assets for easy conversion in time of need, while the balance should be used in other activities like loans and advances to save the banks from distress. Non-compliance with the policy has been a major factor contributing to distress in Nigerian banking industry. From this problem of distress, it shows that the banks have not been complying with CBN monetary policy on liquidity ratio, and that exposed the attitude of the bank to create credit facilities far greater than their deposits and other funds. This has brought serious liquidity problem to the industry that Central Bank of Nigeria has to bail out these institutions. This is as a result of the implementation of poor credit policies in the system.

The results of this survey have shown that there is the need for the institution of good investment policy in the banking industry for better management of assets and liabilities.

All the results show a strong relationship between good investment policy and better management of assets and liabilities in the banking industry. The industry needs sound investment policy for sustainability of business and better performance

Table 4.36 POLICY COMPLIANCE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	A	14	50.0	50.0	53.6
	SA	13	46.4	46.4	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010.

4.3.4: SECTION 4: This section is to evaluate the relationship between bank performance and Gross Domestic Product (GDP) to determine their co-movement.

Question 31: There is a co-movement and constant relationship between bank performance and Goss Domestic Product (GDP).

The table 4.37 below reveals the result of the field survey which shows that 3.6percent of the sampled population was undecided on the issue. 7.1percent and another 7.1percent strongly disagreed and disagreed respectively that there is a co-movement and a constant relationship between bank performance and Gross Domestic Product. The result further reveals that 42.9percent and 39.3percent agreed and strongly agreed that there is a co-movement and a constant relationship between bank performance and Gross Domestic Product. This means that bank performance is connected to the nation's Gross Domestic Product. Any positive movement in the bank performance will have the same movement in Gross Domestic Product and vice versa. This reflects the fact that the financial distress in the Nigerian banking industry has negative impact on the nation's Gross Domestic Product.

Table 4.37 CO-MOVEMENT OF GDP AND BANK PERFORMANCE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	UD	1	3.6	3.6	3.6
	SDA	2	7.1	7.1	10.7
	DA	2	7.1	7.1	17.9
	A	12	42.9	42.9	60.7
	SA	11	39.3	39.3	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 32: Any change in economic performance indices like inflation, rate of exchange, interest rate, disposable income and purchasing power will affect the performance of banks, and Gross Domestic Product (GDP).

The result of the field work as indicated in table 4.38 below shows that 46.4percent and 53.6percent agreed and strongly agreed with the research statement. None of the respondents disagreed with the statement. With 100percent in agreement, it therefore shows that any change in economic performance indices like inflation, rate of exchange, interest rate, disposable income and purchasing power will affect the performance of banks and will also impact the position of the Gross Domestic product. This has been the situation in Nigerian banking industry that the contribution of the sector to GDP dropped from 4.97percent in 2002 to 3.22percent in 2007. Their position out of 33sectors in the economy also dropped from 4th in 2002 to 5th in 2007.

Table 4.38 ECONOMIC PERFORMANCE INDICES

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	13	46.4	46.4	46.4
	SA	15	53.6	53.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 33: The distress in the banking industry will not have effect on the Gross Domestic Product (GDP) as other sectors of the economy can still operate without the banking industry.

The table 4.39 below reveals the result of the field survey, which shows that 71.4percent and 28.6percent strongly disagreed and disagreed respectively with the statement. None of the respondent agreed with the research statement. With 100 percent in total disagreement, it means that the distress in the banking industry will have a great negative impact on the Gross Domestic Product, and other sectors cannot operate without the banking industry. They cannot fill the vacuum occupied by the banking industry because of distress. The distress in the banking industry will have negative impact on other sectors because it is the bedrock of the nation that provides finance to other sectors. The result shows the co-movement of bank performance and GDP.

Table 4.39 OTHER SECTORS AND GDP

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SDA	20	71.4	71.4	71.4
	DA	8	28.6	28.6	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 34: If financial strategy can serve as antidote to financial distress in the banking industry and the industry takes its position as the bedrock of the national economy, it will have positive effect on the Gross Domestic Product.

The field result indicated in table 4.40 shows that 50percent of the population sampled agreed while another 50percent of the sampled population strongly agreed with the research statement. None of the respondents disagreed with the research statement. This means that with 100percent in total agreement, if financial strategy serves as antidote to financial distress in the banking industry and the industry takes its position as the bedrock of the national economy, it will have positive effect on the Gross Domestic Product as other sectors of the economy will be active and developed. It further proves the co-movement between bank performance and GDP.

Table 4.40: FINANCIAL STRATEGY AS ANTIDOTE AND GDP

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	14	50.0	50.0	50.0
	SA	14	50.0	50.0	100.0
	Total	28	100.0	100.0	

Source: Field Survey, 2010

Question 35: Financial distress is a killer disease in the banking industry, which if not checked will negatively affect Gross Domestic Product, and the position of Nigeria in the international community vis-à-vis Globalization.

The table 4.41 below shows the result of the field work. 39.3percent and 60.7 percent of the sampled population agreed and strongly agreed with the research statement. None of the respondents disagreed with the statement. With 100percent in total support of the statement, it means that financial distress in the banking industry is a killer disease ,which if not checked will negatively affect Gross Domestic Product, and the economic position of Nigeria in the international community i.e. globalization. This is to show that a solution must be found to arrest this national phenomenon.

These findings have evaluated that there is a strong relationship between bank performance and Gross Domestic product as stated

The overall results prove that there is a strong relationship between bank performance and Gross Domestic product (GDP) and a co-movement between them. A positive increase in the performance of banks using the performance indices will have reciprocal increase in the nation's Gross Domestic Product, while a decrease in the bank performance will have the same decrease in the aggregate of GDP by the proportion of the decrease in the bank performance.

Table 4.41 FINANCIAL DISTRESS: A KILLER DISEASE

	Frequency	Percent	Valid Percent	Cumulative Percent
A	11	39.3	39.3	39.3
SA	17	60.7	60.7	100.0
Total	28	100.0	100.0	

Source: Field Survey, 2010

4:4 DESCRIPTIVE ANALYSIS OF RESPONSE TO QUESTIONNAIRE ITEMS

The descriptive analysis of results of the field work is broken into four sections.

4.4.1: Evaluation of the Relationship between Financial Strategy and Sustainable Performance Growth

The indices analyzed below are Mean, SD=Standard Deviation, SA=Strongly Agree A=Agree, DA-Disagree, SDA=Strongly Disagree, and UD=Undecided. (Appendices 4 and 5)

With the mean of 4.6786 and a low standard deviation of .4756, transform to the fact that financial strategy as stated in the first question provides a central purpose and direction to the activities of the banking industry. The respondents' 100percent agreement indicates that it will impact the performance of the organizations with low risk. In the second question the respondents disagreed with the statement in the negative form which gave a mean of 2.2500 with a minimal risk of .4410 which means that financial strategy correlates with the business of banking and should form part of policy formation for a stable industry. The responses to the third question indicate a mean of 4.7500 which is high and a low risk (SD) of .4410. The respondents' total agreement to this questions shows that financial strategy will strongly support performance and growth and the understanding by the banking industry will transform their business to achieve sustainable performance growth. The respondents' response to the fourth question shows divergent opinions though with the highest percentage of 89.3percent in agreement with the research statement. The divergent opinion of 10.7percent gave the reason why the standard deviation (the risk) is .7228 though less than 1. However, with the high mean of 4.1786, the financial distress and liquidation of banking institutions can be attributed to poor implementation of financial strategy or non-availability of financial strategy.

Question five statistics figures show the highest mean in this group with 4.8214 and the least standard deviation which is .3900. The respondents' strong belief in periodic review of performance and applicability of responsibility accounting with instant remedial action will lead to performance growth.

With total disagreement of 96.4percent (53.6percent disagreed and 42.8percent strongly disagreed) to the research statement no 6 stated in negative form, a mean of 2.6071 and a low risk level of .5669, it is concluded that poor strategic planning led to the liquidation of those banks affected. This is evident that strategic planning cannot be separated from bank operations and activities. The response to the seventh statement shows a mean of 4.3571 which is a reflection of the 92.9percent agreement by the respondent to the content of the question. 0.9512 standard deviation is at a reasonable level and causes no dispersion from the operations of the bank. Therefore good tax planning in the banking industry and compliance with tax laws will reduce tax liability. The response to question eight shows a 100percent agreement of the respondents to the contents. A mean of 4.7143 is very reasonable and a standard deviation of .4600 is an indication that the content of the question matches the objectives of the banking industry. Therefore effective budgetary control in the industry cannot be separated from profitability and liquidity growth. It is a strategy that will support sustainable performance growth.

With a mean of 2.1785 for question nine and a total disagreement of 96.4percent by the respondents to the content of the question, and a standard deviation of .4756 which constitutes no risk to the business of banking, it shows that leadership cannot be separated from the activities of banking business. Leadership therefore has a very strong relationship with the performance and business growth in the industry. Good leadership will propel good business, while bad leadership will destroy the business. The mean computed for question ten is 4.7143 with a standard deviation of .4600 while all the respondents are in agreement that training is very important to the business of banking. With a low standard deviation, it shows training cannot be separated from banking. Therefore management training of staff professionally on the job focuses them to achieve the main objectives of the organization for investors' wealth maximization and value maximization of the company.

The response to question eleven on technical ability and managerial skills with 17.9 percent strongly agree, 42.9percent agree, 25percent disagree, 10.7strongly disagree and 3.6percent undecided. With mean of 3.6071 and standard deviation of 1.0306, it shows that technical ability and managerial skills of staff are very important to solving financial distress. This means that technical ability and managerial skills may not fully be a major cause of financial distress. However, with total agree-percentage of 60.7percent, lack of technical ability and managerial skills cannot be separated from financial distress. The mean of 4.6786 on question twelve on profitability is a reflection of good response to the content of the question, which manifest in the 100percent total agreement from the respondents. With a low standard deviation of 0.4756, it shows that profitability cannot be separated from capital growth, liquidity growth and performance growth. Therefore profitability is a very strong variable for growth. It will have positive impact on capital growth, liquidity growth and performance growth while lack of it will negate the objectives of the business and bring distress into manifestation. The response to question thirteen shows 71percent in total disagreement with the content of the question stated in negative term.17.9percent undecided shows their lack of knowledge of corporate planning. However, with a mean of 2.4286 and standard deviation of .9974 which is below 1, it shows that corporate planning is very important to the business of banking. If the management of the liquidated banks in the banking industry in Nigeria had embarked on corporate planning, the banks would have been salvaged from total collapse. With a mean of 2.3571 and standard deviation of .6215 which is reasonable and an aggregate disagreement percentage of 92.8 to the content of question fourteen, it shows that capital growth is a considerable factor for business expansion; hence there should be profit retention from periodic profit after tax. The overall analysis of this section shows that financial strategy has a very strong relationship with sustainable performance growth in the banking industry. Financial strategy is a very strong accounting technique to achieve sustainable performance growth in the banking industry. A banking institution will maintain sustainable performance growth with full adoption and implementation of financial strategy.

4.4.2: Examination of the Relationship between Strategic Planning and Performance for Business Sustainability and Stability of Business in the Banking Industry.

The indices used for analyzing the result of the field in this section are: Mean, Standard Deviation (SD), Strongly Agree (SA), Agree (A), Disagree (D), Strongly Disagree (SDA) and Undecided (UD) (Appendix 6)

The field result of question fifteen shows a 100 percent in total agreement with corporate governance as a determinant for corporate existence. This reflects in the mean of 4.6429 which is high while a standard deviation of .4880 is low which shows that corporate governance cannot be separated from corporate existence. Therefore there is a strong relationship between corporate governance and corporate existence to ensure increased capital, liquidity, profitability and efficiency in resources management. The result to question sixteen shows 75percent strongly disagree and 21.4percent disagree. The 3.6percent 'agree' is insignificant. The mean of 2.2857 is reasonable in relation to the content of the question which is in negative form, and with a mean of .5345 which is reasonable and low; it shows that there is a strong relationship between corporate governance and financial reporting because shareholders are interested in performance and leadership of the organization. The field result to question seventeen shows 64.3percent strongly agree, 32.1percent agree while 3.6percent disagree is insignificant. Therefore, a total of 96.4 percent agreement with the content of the question, a mean of 4.6071 which is high, and a low standard deviation of 0.5669, shows that corporate governance cannot be separated from stable and viable banking business which will produce sustainable performance that will generate better performance indices of adequate capital, quality earning assets, stable profitability, good liquidity, payment of good returns on investment and equitable payment of tax. Poor corporate governance can result into downturn in business, financial distress and effectual liquidation. The 92.9percent response in total disagreement with the content of the question, and a mean of 2.5714 which is reasonable, a standard deviation of .6341 in the result of the field work of question eighteen, shows that corporate governance cannot be separated from sustainable growth. Therefore, there is a strong relationship between corporate governance and sustainability and performance. The result of the field work to question nineteen shows 96.5 respondents total agreement to the content of the question while 3.6percent strongly disagree is insignificant and should be ignored. The mean of 4.4643 is high and reasonable while the standard deviation of 0.6929 shows homogeneity between boardroom upheavals and crisis in the banking institutions which in effect will have a strong negative impact on business performance. Therefore good corporate governance that will bring stability into the board will enhance customers' patronage and expansion of business. The field result to question twenty shows 3.6percent strongly agree and 10.7percent agree which reflect a low position compared to 32.1percent disagree and 50.0 percent strongly disagree with the content of the question. 3.6percent undecided is very insignificant. Therefore with a reasonable mean of 2.6071 and a standard deviation of 0.8751, there is homogeneity between poor corporate governance and shareholders lost of their investments. Therefore, good corporate governance will ensure the safety of shareholders investment and depositors' deposits as the two variables cannot be separated from each other. The respondents' response of 75.0percent strongly agree and 25percent agree to the content of question twenty one, high mean of 4.7500 and 0.4410 reasonable standard deviation, there is a strong relationship between consistence in board constitution, knowledge of board members of the operating environment and growth and expansion of business. There is homogeneity in their relationship. With afore analysis of questions fifteen to twenty one, it shows that there is a strong relationship between strategic planning that will produce good corporate governance and performance for business sustainability and stability in the banking industry.

4.4.3: Assessment of the Relationship between Investment Policy and Management of Assets and Liabilities for Sustainable Performance Growth in the Banking Industry

The indices for analyzing this section are Mean, Standard Deviation (SD), Strongly Agree (SA), Agree (A), Disagree (D), Strongly Disagree (SD) and Undecided (UD). (Appendix 7)

The respondents' rate of response to question twenty two shows 60.7percent disagree and 28.6strongly disagree to the content of the question with a total of 89.3 percent in disagreement, while 10.7percent of the respondent agreed to the statement. With the mean of 2.8214 and a standard deviation of .6118, it means that non-performing loans and advances in the banking industry cannot be separated from the management of the loans and advances. It has nothing to do with the nature of securities pledged for these facilities. The result to question twenty three shows that there is a strong relationship between good investment policy and effective management of assets and liabilities. Hence they enhance returns on investment and liquidity availability and quality earning assets. The result shows 75percent strongly agree, 17.9percent agree, and 7.2percent in disagreement which is not significant to reject the mechanism. The mean of 4.6429 is encouraging while the standard deviation of .7310 is an indication that good investment policy cannot be separated from managing the assets and liabilities of the bank effectively. Therefore, good investment policy will result into effective management of assets and liabilities which in return will enhance returns on investment and liquidity availability. The statistical analysis of the field result of question twenty four shows 42.9percent strongly agree, 46.4 percent agree totaling 89.3percent in agreement while 3.6percent each on disagree, strongly agree and undecided are insignificant. The mean of 4.2143 and standard deviation of 0.9567 show the strong relationship between good appraisal system and performance and redemption of such facility. Therefore, a good appraisal system will have impact on the realizability of the facility on maturity.

The statistical result of respondents to question twenty five which was stated in negative form shows that 46.4disagreed, 50percent strongly disagreed while only 3.6agreed. The total disagreement of 96.50percent, a mean of 2.5357 and standard deviation of. 5762 show that there is a very strong relationship between growing assets more than liabilities in the banking industry and financial distress. It means growing assets more than liabilities will create liquidity crunch and business failure.

The respondents' response to question twenty six shows the following statistical information: 64.3percent strongly agreed and 35.7percent agreed. Zero percent was recorded for each of disagree, strongly disagree and undecided. The 100 percent total agreement to the question, 4.6429mean and standard deviation of .4880 is an indication that good capital budgetary system has strong relationship with liquidity management and timely replacement of productive assets. The statistical analysis to question twenty seven shows that 50percent strongly agreed to the statement, 42.9percent agreed totaling 92.9 in agreement. The 7.1percent that disagreed is not significant. However, the 4.4285mean and standard deviation of .6341 is an indication that, there is a strong relationship between good investment appraisal system and shoring of the capital base of banks in relation to business activities and growth in the banking industry. The statistical analysis of the result of research question twenty eight reflects that 60.7percent strongly agreed with the statement, 25percent agreed making it a total of 82.7percent in agreement. 10.7percent strongly disagreed while 3.6 percent were undecided. The 4.2857 mean is high enough to go in line with the 82.7percent support for the research statement.

However, the standard deviation of 1.1501 is a reflection of the significant impact of opposite opinion of a total of 14.3percent disagreement with the statement. From this analysis, it can be concluded that using depositors money to buy assets for operational activities is a bad investment policy, which means the shareholders funds meant for this purpose are no longer available and therefore shifting the source of purchase to depositors will have significant negative impact on liquidity. The negative impact is financial distress in the industry. The respondents' reaction to question twenty nine shows that 14.3percent strongly agreed, 67.9percent agreed making a total agreement of 82.2percent to the research statement. 10.7percent disagreed, 3.6percent strongly disagreed and 3.6percent undecided making it a total of 17.9percent in the adverse opinion. This analysis and the reasonable mean of 3.8571 and reasonable standard deviation of .8483 show that there is a strong relationship between good investment policy to buy adequate fixed assets and tax benefits to enjoy reduction in tax liability for liquidity retention in the organization. The respondents reaction to research question thirty shows the following statistics: 46.4percent in strongly agree,50percent agree making it a total of 96.4percent in agreement ,while others are zero percent disagreed, zero percent strongly disagreed and 3.6percent undecided. This analysis combined with 4.3571 reasonable mean and comfortable standard deviation of .8262 shows that compliance with Central Bank of Nigeria monetary policy by banks on liquidity ratio has a very strong relationship with resolving financial distress in the banking industry. From the analysis of responses in this section, it is concluded therefore that there is a strong relationship between good investment policy and better management of assets and liabilities and this will achieve sustainable performance growth for the industry and will produce good performance indices of quality assets, profit, and liquidity. The quality of investment policies in banks determines the type of the management of assets and liabilities. It also has a very strong impact on the appraisal of every credit proposal and valuation of assets used as collateral for the loans and advances.

4.4.4: Evaluation of the Relationship between Bank Performance and Gross Domestic Product to determine their Co-movement

The indices used for the analysis of the field work of this section are Mean, Standard Deviation (STD), Strongly Agree (SA), Agree (A), Disagree (DA) Strongly Disagree (SDA) and Undecided (UD). (Appendix 8)

The statistical results of question thirty one reveal the following: 39.3percent strongly agreed to the research question, 42.2percent agreed making a total of 82.2 total agreement to the research question. 7.1percent disagreed, another 7.1percent strongly disagreed while 3.6percent undecided reflecting a total of 17.8percent in disagreement. The mean of 4.0714 which is reasonable, a standard deviation of 1.0516 though high because of the 17.8percent dissent opinion combines with a total agreement of 82.2percent,it shows that there is co-movement and constant relationship between bank performance and Gross Domestic product(GDP). The respondents' reaction to question thirty two shows that 53.6percent strongly agreed to the research question, 46.4percent agreed showing 100percent infavour of the research question, while the other result variables recorded zero percent. With this information and a high mean of 4.5357 and a low risk of .5079, it shows that there is a very strong relationship between a change in economic performance indices and performance of banks and Gross Domestic Product. The result of question thirty three which was in negative form shows that 28.6percent disagreed while

71.4percent strongly disagreed reflecting a 100percent in disagreement with the question. This result and the mean of 2.2857 and a very low risk of .4600, it is therefore concluded that the distress in the banking industry will have negative effect on Gross Domestic product as other sectors of the economy cannot operate without the banking industry. This shows that the banking industry is the bedrock of the nation. The field work result of question thirty four shows that 50percent strongly agreed with the statement, another 50percent agreed making a 100 percent respondents support of the question while other result variables recorded zero percent each respectively. This respondents' position combined with a high mean of 4.5000 and a reasonable standard deviation of .5092, shows that financial strategy will serve as antidote to distress. It is therefore concluded that with financial strategy serving as antidote to financial distress in the banking industry, the industry will take its position as the bedrock of the national economy and will have positive impact on the Gross Domestic Product. The statistical result of the respondents' reaction to the last question i.e. research question thirty five shows that 60.7percent strongly agreed, 39.3percent agreed making a total of 100percent total support to the question. Other result variables recorded zero percent each respectively. With this result and a high mean of 4.6071 and a low risk value of 0.4973, it means there is a strong relationship between financial distress, Gross Domestic Product and Nigerian position in the international community. Therefore, financial distress is a killer disease in the banking industry, which if not checked will negatively affect Gross Domestic Product and the position of Nigeria in the international community vis-à-vis globalization.

From the analysis of the results of field work in this section, it shows that there is a very strong relationship between bank performance and Gross Domestic Product (GDP). This means that when financial distress in the banking industry have negative effects on bank's performance indices of capital, asset quality, liquidity ,profitability, dividend paid and tax paid, it will have reciprocal effects on Gross Domestic Product which shows a co-movement between them.

From analysis of 4.4.1 to 4.4.4, all the financial strategies that will give birth to sustainable performance growth show positive results from the survey work. The respondents fully supported corporate governance, capital budgeting, budgetary control, tax planning, corporate planning, Investment policy and economic profit of investment that will enhance profitability provide adequate capital, enhance liquidity, result into quality earning assets, ensure constant returns on investment through dividend payment and ensure equitable payment of tax . These results prove and evaluated our maintain objective that financial strategy will serve as antidote to financial distress in the banking industry. It also proves the four specific objectives positively.

4:5 TESTING OF HYPOTHESES:

When taking statistical decision the initial thing to do is to make assumption or guesses about the population. These assumptions are known as hypotheses. A hypothesis is formulated with the aim of nullifying it and rendering it insignificant. An assumption made with the sole purpose of rendering the statistical hypothesis insignificant is called a null hypothesis. A null hypothesis is an assertion about the value of a population parameter, it is an assertion that we hold as true unless we have sufficient statistical evidence to conclude otherwise. The alternative hypothesis is the negation of the null hypothesis.

A hypothesis is something that has not yet been proven to be true. Hypothesis testing is the process of determining whether or not a given hypothesis is true.

The following five hypotheses for this work, stated in null forms were tested as indicated under each:

HYPOTHESIS 1:

$H_{0:}$ There is no relationship between financial strategy and sustainable performance growth for avoidance and resolution of distress in the banking industry.

HYPOTHESIS 2:

H_0: There is no relationship between strategic planning and business failure in the banking industry.

HYPOTHESIS 3:

H_0: Strategic planning and performance do not affect sustainability and stability in the banking industry.

HYPOTHESIS 4:

H_0: Investment policies do not affect assets and liabilities management in the banking industry

HYPOTHESIS 5:

H_0: There is no co-movement between bank performance and Gross Domestic Product.

4.5.0: STATISTICAL TESTING MODEL:

Multivariate Analysis of Variance (MANOVA) is used to analyze the results of the field work. Is an extension of analysis of variance (ANOVA) and is for use when we have more than one dependent variable. These dependent variables should be related in some way, or there should be some conceptual reason for considering them together.

MANOVA compares the groups and tells us whether the mean differences between the groups on the combination of dependent variables are likely to have occurred by chance. MANOVA reveals if there is a significant difference between the groups on this composite dependent variable, and also provides the univariate results for each of the dependent variables separately.

4.5.1: TESTING OF HYPOTHESIS 1:

H_0 There is no relationship between financial strategy and sustainable performance growth for avoidance and resolution of distress in the banking industry.

Interpretation of output of Multivariate Analysis of Variance (MANOVA) (Appendix 9)

a. Between -Subjects Factors

The respondents were grouped into three independent variables:

Type of Bank	Variable label	N VALUE
1	Slightly strong	13
2	Strong	6
3	Very Strong	9
	Total	28

The categorization was based on profit level as stated on page 152

b. Descriptive Statistics

The number of independent variables in each cell is three which satisfies the minimum number of three (Slightly strong banks, Strong banks and Very strong banks) and one dependent variable in each cell. The N value of 28 corresponds with the number of questionnaires received from the respondents and input into the system. Statistical

Package for Social Sciences (SPSS) was used for computation. Five dependent variables representing questions one to five in the questionnaire (five cells) were used to test the hypothesis viz:

i. Central Purpose-CENPUR

ii. Correlation of Financial Strategy-CORREL

iii Performance Growth-PERFGROW

iv. Implementation of financial strategy- IMPLEMEN

v. Responsibility Accounting-RESPACCTY.

From the descriptive statistics table, the mean and below one scale point standard deviation of the independent variables relative to the dependent variable in each cell is well correlated, which reflects the significance of the dependent variable in each case. It also proves their homogeneity in confirming the strong relationship between financial strategy and sustainable performance growth.

1.For central purpose(CENPUR),the average mean of 4.6786 and an average standard deviation of below one scale point of .4756 show that financial strategy provides a central purpose and direction to the slightly strong banks, strong banks and very strong banks, and impact their performance.

2. For correlation of financial strategy (CORREL), the average mean of 2.25 and below one scale unit of .4410 show that financial strategy correlates with the business of banking and should be part of policy formulation in all the three types/groups of banks.

3. For performance growth (PERFGROW), the average mean of 4.7500 and an average standard deviation below one scale unit of .4410 is an indication that financial strategy

supports performance growth, and leads to sustainable growth in all the three types/groups of banks.

4. For implementation of financial strategy, the average mean of 4.1786 and an average standard deviation of below one scale unit of .7228 shows that financial strategy will help to avoid liquidation of banking institutions in the slightly strong banks, strong banks and very strong banks in Nigerian economy.

5. For responsibility accounting, the high average mean of 4.8214 and a below one scale point of average standard deviation of .3900 show that applicability of responsibility accounting as a strategy will ensure instant remedial action and support performance growth in the three groups of banks.

c. Multivariate tests

The significant results of the four statistics computed by SPSS in testing whether there is a significant difference among the groups on a linear combination of the dependents variables, all the results obtained are more than .05 viz:

Pillar's Trace = .607

Wilk's Lambda =.635

Hotelling's Trace =.665

Roy's Largest Root = .398

This results show that there is no significant difference among the groups of banks in linear combination. There is homogeneity in their linear combination. Hence, with the result; there is a strong relationship between financial strategy and sustainable performance growth for avoidance and resolution of distress in the slightly strong banks, strong banks and very strong banks. The interrelationship between financial strategy and sustainable performance growth is collinear. All the five dependent variables can jointly solve the problem of distress in the three groups of banks.

d.Between-Subjects Effects Tests

Since we have five dependent variables to investigate, according to the norm, we divide level of significance .05 by 5 to set a higher alpha level to reduce the chance of a type 1 error. We then apply Bonferroni adjustment model = .05 divide by5 =0.010.We compare with the table to test for a significant difference in the independent variables relative to the dependent variables. The extracted statistics for these analyses are stated below: If any is below 0.10, it indicates that it will show a significant difference within the three groups of banks.

Dependent variable	df	F.	Significance
1. Central Purpose (CENPUR)	2	1.084	.354
2. Correlation of Financial Strategy (CORREL)	2	1.987	.158
3 Performance growth (PERFGROW)	2	1.666	.209
4. Implementation of Financial Strategy (IMPLEMEM)	2	1.007	.380
5. Responsibility Accounting (RESPACTY)	2	.789	.465

From the computation, none of the results is below .010 cut off indicating that there is no significant difference in applying all the dependent variables to providing solution to performance growth in the three types/groups of banks viz: Slightly strong banks, Strong banks and very strong banks. All the five dependent variables fit into making decision in the banks. That means that there is a strong relationship between financial strategy and sustainable performance growth in the three types of banks.

e. Comparing group means (Estimated margin Means)

This is to find out if there is significant difference in the means of the independent variables as to the suitability of the dependent variables for decision making in the groups of banks

1. In cell one-CENPUR, though there is difference in the means for slightly strong banks, strong banks and very strong banks, the difference within them is statistically insignificant as they are less than one scale point.

Viz: Difference between strong banks and very strong banks = 0.055

Difference between strong banks and slightly strong banks= 0.295

Difference between very strong and slightly strong banks =0.240

With this result of less than I scale point difference, it means financial strategy provides a central purpose and direction for the three banks and can impact their performance.

2. In cell two-CORREL, the difference in the means between the slightly strong banks, strong banks, and very strong banks is very insignificant, as each is less than one scale point:

Difference between very strong banks and strong banks is 0.444

Difference between very strong banks and slightly strong banks is 0.213

Difference between slightly strong banks and strong banks is 0.231

This shows that there is correlation between financial strategy and business of banking and should be taken into consideration in policy formulation in the three groups of banks

3. In cell three- PERFGROW, the difference within the group means is not significant, this is less than I scale point as shown below:

Difference between strong banks and very strong banks is 0.222

Difference between strong banks and slightly strong banks is 0.385

Difference between very strong banks and slightly strong banks is 0.163

This result reflects that financial strategy strongly supports performance and its proper implementation will lead to sustainable growth in the three types of banks.

4. In cell four-IMPLEMEN, the difference within the groups is very insignificant and less than I scale point as shown below:

Difference between very strong banks and strong banks is 0.277

Difference between very strong banks and slightly banks is 0.769

Difference between strong banks and slightly strong banks is 0.167

The result shows that availability and proper implementation of financial strategy will solve the problems of financial distress and liquidation in the three groups of banks.

5. In cell five-RESPACTY, the difference within the groups of banks is very insignificant and less than 1 scale point as shown below:

Difference between strong banks and very strong banks is 0.222

Difference between strong banks and slightly strong banks is 0.231

Difference between very strong banks and slightly strong banks is 0.009

This shows that periodical review of performance, applicability of responsibility accounting system and instant remedial action will support performance growth in slightly strong banks, strong banks and very strong banks.

The insignificance of the differences in the groups' means of the independent variables shows that the five dependent variables are very important and have proved that there is a very strong relationship between financial strategy and performance growth in the groups of banks. There is homogeneity in their relationship.

f.Levene's Test of Equality of Error Variances.

This is to test for the violation of the groups' equality of variance in the variables comparing with the level of significance of .05, and examine the F-test of such on univariate basis.

The statistical extracts from the output are:

Dependent variable	F	df1	df2	Sig.
Central purpose	3.429	2	25	.048
Correlation of Financial strategy	16.186	2	25	.000
Performance growth	17.913	2	25	.000
Implementation of financial strategy	0.730	2	25	.930
Responsibility Accounting	6.330	2	25	.006
Total	43.931			.984

At the significance level of 0.05, the group significant level is .984 which is above the level of 0.05.With the degree of freedom 2 for the independent variables and degree of freedom 25 for the dependent variables, the F.computed for the group is 43.931 as against the 3.83 tabulated F-test indicating equality of variance for the group. For correlation of financial strategy, performance growth, and responsibility accounting, the alpha level of each is less than .05, the univariate table show that the F-tabulated is 3.38 for each while the computed shows 16.186, 17.913 and 6.330 respectively reflecting their significance like other variables. There is therefore equality of variance in the group, proving a strong relationship between financial strategy and sustainable performance growth.

SUMMARY

The statistical outputs show a high correlation of the mean and less than I scale point of the standard deviation in the groups of banks relative to the dependent variables; In the multivariate tests, no significant difference was recorded in the groups on their linear combination using Wilk's Lambda and other statistical models indicating that the interrelationship between independent and dependent variables are collinear; Between-subjects effects reveal that there is no significant difference within slightly strong banks, strong banks and very strong banks relative to the dependent variables as all are higher than upper alpha level of 0.10;The group means reveal that there is insignificant difference in the average means of the types of banks relative to their dependent variables which is less than 1 scale point in each case, which shows that there is a strong relationship between financial strategy and sustainable performance growth; and the levene's test of equality of error variance show there is equality of variance within the group with the group significance of .984 and the group F-test of 43.931. The univariate test for dependent variables, whose alpha level is less than .05 shows that their computed F.test of 16.186, 17.913 and 6.330 respectively for each is higher than the tabulated of 3.38 indicating their significance homogeneity with others in decision taking. The computed F-test for the group is 32.992 as against the tabulated figure of 3.38.

DECISION:

In view of the results obtained as analyzed above, the null hypothesis was rejected and the alternative accepted because the interrelationship of the dependent variables and independent variables in the SPSS output show a strong relationship between them. The results have proved co-linearity and homogeneity in the interrelationship. It also proves and evaluated our objective number one.

Therefore, there is a strong relationship between financial strategy and sustainable performance growth for avoidance and resolution of distress in the banking industry.

4.5.2: TESTING OF HYPOTHESIS 2

H_0= There is no relationship between strategic planning and business liquidation in the banking industry.

Interpretation of output of Multivariate Analysis of Variance MANOVA) Appendix10

1. Between –Subject Factors

The respondents were grouped into independent variables thus:

Type of Bank	Value label	N VALUE
1	Slightly strong	13
2	Strong	6
3	Very strong	9
		28

The categorization was based on profit level defined on page 152.

2. Descriptive Statistics:

The number of independent variable in each cell is three which satisfies the minimum number of three for MANOVA (Slightly strong banks, strong banks and very strong banks).The N value of 28 corresponds with the number of questionnaires received from the respondents and input into the SPSS systems. Five dependent variables representing questions picked for the testing of hypothesis were inputed:

1. Poor tax planning and non-compliance with tax law-TAXPLANN

2. Effective budgetary control-BUDGCON

3. Management training of staff-TRAINING

4. Profitability-PROFITAB

5. Capital growth- CAPGROWTH.

From the descriptive statistics table, the mean and below one scale point average standard deviation of the independent variables relative to the dependent variable is highly correlated, and confirms homogeneity in their relationship.

1.For poor tax planning and non-compliance with tax laws (TAXPLANN),the average mean of 4.3571 and a below I scale point standard deviation of .9512 show that good tax planning and compliance with tax laws have strong relationship with liquidity management in the three groups of banks being studied.

2. For effective budgetary control (BUDGCON), the average mean of 4.7143 and a below one scale point average standard deviation of .4600 show that there is a strong relationship between budgetary control and profitability and liquidity growth in the three groups of banks .

3. For Management training of staff professionally (TRAINING), the average group mean of 4.7143 and below one scale point standard deviation of .4600 reflect that management training of staff professionally has a relationship with investors' maximization of wealth and organization value maximization in the three groups of banks..

4. For profitability (PROFITAB),the group average mean 4.6786 and a below one scale point standard deviation of .4756 show that there is a strong relationship between profitability and capital growth, liquidity growth and performance growth in the slightly strong banks, strong banks and very strong banks.

5.For capital growth(CAPGROTH),the group average mean of 2.3571 and the below one scale point standard deviation of .6216 show there is a strong relationship between capital growth and business expansion meaning that there should be retention of profit after tax in all the groups of banks.

3 Multivariate Tests:

This is to test the significant difference within the groups of banks on a linear combination of the dependent variables if any of the results obtained is less than .05.The statistics computed by Statistical Package for Social Sciences (SPSS) for the groups are:

Pillar's Trace = .311

Wilks'Lambda =.319

Hotelling's Trace =.330

Roy's Largest Root= .114.

With each of the significance higher than .05, it shows there is no significance difference among the groups in their linear combination. There is homogeneity in their linear combination. The interrelationship between strategic planning and business liquidation is collinear in the slightly strong banks, strong banks and very strong banks. There is therefore a very strong relationship between strategic planning and business failure / liquidation in the banking industry.

4. Between-Subjects Effects (Test of significance)

Since we have five dependent variables to investigate, there is the need to test the significance at the higher alpha level. We divide the .05 alpha level by 5 which gives .010 using Bonferroni adjustment model. The following statistics were extracted for this analysis:

Dependent Variable	df	F.	Significance
1. Tax planning	2	.082	.921

2. Budgetary control	2	.249	.781
3. Management training	2	.162	.851
4. Profitability	2	.606	.553
5. Capital growth	2	4.646	.019

From these results, none of the variables is less than .010 cut off. In this analysis, there is no significant difference within slightly strong banks, strong banks and very strong banks. This shows that all the dependent variables fit into taking decision the same way in all the groups. They are all very significant in determining the strong interrelationship between strategic planning and business failure/liquidation.

5. Comparing group means:-Estimated Margin Means.

This is to find out if there is significant difference in the mean of the independent variables as to the suitability of the dependent variables for decision making in the types/groups of banks.

1. In cell one, the difference in the mean score of slightly strong banks, strong banks and very strong banks under tax planning is insignificant as the computation is less than one scale point:

Difference between strong banks and very strong banks is 0.167

Difference between strong and slightly strong banks is 0.192

Difference between very strong banks and slightly strong banks is 0.025.This reflects a strong relationship between poor tax planning, non-compliance with tax laws and tax liability (cash outflow) in the three groups of banks.

2. In cell two on budgetary control, the difference in the group means of slightly strong banks, strong banks and very strong banks is insignificant as the computation shows a less than one scale point:

Difference between strong banks and slightly strong banks is 0.141

Difference between strong banks and very strong banks is 0.166

Difference between slightly strong banks and very strong banks is 0.025.

This result shows that budgetary control as a financial strategic tool will enhance profitability and liquidity growth in slightly strong banks, strong banks and very strong banks.

3. In cell 3 on management training of staff professionally, the difference in the group means is less than one scale point and very insignificant.viz:

Difference between slightly strong banks and strong banks is 0.102

Difference between slightly strong banks and very strong banks is 0.102

Difference between very strong banks and strong banks is 0.

This result shows that management training of staff professionally in the three groups of banks will have strong impact on achieving the main objectives of the organization for wealth maximization for the investors and value maximization of the company.

4. In cell 4 on profitability, the difference in the means of the groups of banks is insignificant as each is less than one scale point as highlighted thus:

Difference between very strong banks and slightly strong banks is 0.086

Difference between very strong banks and strong banks is 0.278

Difference between slightly strong banks and strong banks is 0.192.

This result shows that profitability as a strong variable for performance will have positive impact on capital growth, liquidity growth and performance growth in slightly strong banks, strong banks and very strong banks.

5. In cell 5 on capital growth, the difference in the means of the groups of banks is less than one scale unit, hence is very insignificant as computed thus:

Difference between slightly strong banks and strong banks is 0.525

Difference between slightly strong banks and very strong banks is 0.692

Difference between strong banks and very strong banks is 0.167

This result shows that capital growth is a considerable factor for business expansion and that periodic profit after tax should be retained to achieve this in the three groups of banks.

These analyses show that all the five dependent variables fit the same for taking decision in the three types/groups of banks. This shows the homogeneity in the interrelationship of the dependent variables in all the three groups of banks. They hang together to solve the problem of distress.

6. Levene's Test of Equality of Error Variance:

This is to test for the violation of the equality of variance in the variables if the significance column value is less than 0.05.and examines the F-test of such on univariate basis. The extracted statistics below l bring out this fact:

Dependent variable	F	df1	df2	Sig.
Tax Planning	.732	2	25	.491
Budgetary Control	1.449	2	25	.254
Management Training	.670	2	25	.521

Profitability	1.238	2	25	.307
Capital Growth	15.152	2	25	.000
	19.241			1.573

At significant level of .05,the group significant level is 1.573 which is higher than .05.With the degree of freedom 2 for the independent variable and degree of freedom 25 for the dependent variables, the F-test for the group is 19.241.Tax planning, budgetary control, Management training ,and profitability have computed significance of above .05 which means they did not violate the equality of variance For capital growth in which is .000,we applied univariate analysis to determine the interrelationship, which at critical level of .05,the tabulated is 3.38 and the computed is 15.152. This shows that capital growth fall into homogeneity of the interrelationship, and has not violated the equality of variance.

SUMMARY OF RESULTS

The descriptive statistics result shows that there is a high correlation between the dependent variables and independent variables with high means and below one scale point for each standard deviation. All the dependent variables fit into testing for the hyphpothesis.All the dependent variables are significant as the results show that there is a strong relationship between strategic planning and business failure/liquidation. The multivariate tests proved there is no significant difference in the groups on a linear combination as all the statistical models computed results are higher than the alpha level of .05.Wilk's Lambda and others show that the interrelationship between strategic planning and bank liquidation are collinear and homogenous.

The tests of between-subject effect i.e. test of significance show that in applying Bonferroni adjustment model, all the significance of each of the dependent variables fit the same way into the groups of banks. There is significant relationship between the dependent variables and solving business liquidation in the groups of banks-slightly strong banks, strong banks and very strong banks. In comparing the group means, the statistics shows that in all the cells, the minute difference in each case is less than one scale point indicating that effective tax planning, effective budgetary control, management training of staff, strong profitability performance and capital growth are useful indices for decision making to resolve and avoid distress and liquidation in the three groups of banks. In Levene's test of equality of error variance, at a level of significance of 2 for the independent variables and degree of freedom 25 for the dependent variables, the group level of significant is 1.573 and each of the dependent variables level of significance show significance level of above the alpha of .05.Capital growth which shows significance of .000 was further analyzed on a univariate basis which shows that at significance level of 2 and 25,the tabulated F-test is 3.38 while the computed is 15.152.This shows its significant and homogeneity with others in decision making in the groups of banks .The computed F-test for the group is 19.241 higher than 3.83 tabulated/critical value signifying the strong relationship.

DECISION.

In view of the analyzed results it has been proved that there is a strong relationship between strategic planning and business failure/liquidation. Therefore the null hypothesis should be rejected. This means there is a very strong relationship between strategic planning and resolution to business failure/liquidation in the slightly strong banks, strong banks and very strong banks using effective tax planning, effective budgetary control, management training of staff professionally, profitability sustainability and capital growth. This also evaluated and proves our main objective.

4.5.3: TESTING OF HYPOTHESIS 3

H_0: Strategic Planning and Performance do not affect sustainability and stability in the banking industry.

Interpretation of output from Multivariate Analysis of Variance (MANOVA) Appendix11

1. Between-Subject Factors:

The respondents were grouped into three Independent groups as indicated below:

Type of Bank	Value Label	N VALUE
1	Slightly Strong	13
2	Strong	6
3	Very Strong	9
		28

The above categorization was based on profit level as defined on page 152

2. Descriptive Statistics:

The number of independent variable in each cell is three which satisfies the minimum number of three for MANOVA.The independent variables are slightly strong banks, strong banks, and very strong banks. The N value of 28 corresponds with the number of copies of the questionnaire received from the respondents, and input into the Statistical Package for Social Sciences (SPSS)

Seven dependent variables representing questions picked for the testing of the hypothesis were inputted:

1. Good corporate governance-CORPGOV

2. Poor corporate governance result-CGRESULT

3. Boardroom upheavals-BOARDUPH

4. Sustainable growth determination-SGDETERM

5. Corporate governance and financial reporting relationship-CGRELATI

6. Loss of Investments and deposits-LOSTINVD

7. Consistency in board constitution- BDCONSIT

From the descriptive table, the mean and below one scale point standard deviation of the independent variables relative to the dependent variable in each cell is highly correlated. The high average mean and the less than one scale point standard deviation indicate the significance of the dependent variable in each case.

1. That good corporate governance aids the increase in capital, liquidity, profitability and efficiency in resources management shows an average mean of 4.6429 a below one scale point average standard deviation of 0.4880, which confirms that there is a strong relationship between them in the three groups of banks.

2. That poor corporate governance can result into downturn in business, distress and liquidation in the business shows a high average mean of 4.6071 and a below one scale point standard deviation of 0.5669. This confirms that there is a strong relationship between poor corporate governance and downturn in business and liquidation in the three groups of banks.

3.That boardroom upheavals and crisis have very strong negative impact on customers patronage and expansion of business shows a high average mean of 4.4643 and a below one scale point standard deviation of 0.6929.This confirms strong relationship between board room upheavals and customers patronage and expansion of business in all the groups of banks.

4. That the sustainable growth in the business of banking can be determined by the type of corporate governance shows an impressive average mean of 2.5714 and a below one scale point standard deviation of 0.6341.This result nullifies the statement and confirms that the sustainable growth in the business of banking can be determined by the type of corporate governance in all the three groups of banks.

5. That there is no relationship between corporate governance and financial reporting show an average mean of 2.2857 above two scale point and a standard deviation of below one scale point of 0.5345.The result nullifies the question and confirms that there is a relationship between corporate governance and financial reporting and shareholders are concerned about the management of the business in the three types of banks..

6. That the shareholders lost of their investments and deposits in the liquidated banks can not be attributed to poor corporate governance show above two scale points average mean of 2.6071 and a below one scale point standard deviation of 0.8751.This position nullifies the research statement and confirms that shareholders lost of investment and deposits in liquidated banks can be attributed to poor corporate governance in the three groups of banks.

7. That consistence in the constitution of the board of directors, and knowledge of the operating environment by directors motivate the growth and expansion of business shows a high average mean of 4.7500 and a below one scale point standard deviation of 0.4410.This shows that there is a strong relationship between consistence in the board constitution and business growth and expansion in the three groups of banks.

3. Multivariate Tests

This is to test the significant differences within the groups on a linear combination of the dependent variables if any of the results obtained is less than .05.The statistics computed by SPSS for the groups of banks in respect of the significance show the following:

Pillar's Trace =.909

Wilk's Lambda =.924

Hotelling's Trace =.937

Roy's Largest Root =.795

With the computation of the significance by each of the statistical model showing a result of alpha level higher than .05, it means there is no significance difference among the groups on a linear combination. The interrelationship between the seven dependent variables and the three groups of banks is collinear There is homogeneity in the combination as all the seven variables can work effectively to solve the problem of corporate governance in all the three groups of banks. This linear relationship between dependent variables and independent variables confirms that good corporate governance and strategic planning will ensure performance for business sustainability and stability in the three groups of banks.

4. Between Subjects Effects (Test of significance)

This is to investigate further after multivariate tests in relation to each of the dependent variables if the groups of banks differ on all of the dependent measures. We applied Bonferroni adjustment by dividing the original alpha level .05 by the number of dependent variables of 7.This gives a new alpha level of .0072.if any of the significance is less than .0072,it becomes a significant difference within the groups of banks.

Dependent Variable	df	f	significance
1. Good corporate governance	2	.826	.449
2. Poor corporate governance result	2	.839	.444
3. Boardroom Upheavals	2	.011	.989
4. Sustainable growth determination	2	.347	.710
5. Corporate governance and financial reporting	2	1.790	.188
6. Loss of investments and deposits	2	.660	.525
7. Consistency in board constitution	2	.128	.880

The table extracted from the SPSS output shows that none of the dependent variables has significance level of less than .0072.This result shows that all the dependent variables fit the same way and hang together into solving the problems of distress in the three groups of banks viz: slightly strong banks, strong banks and very strong banks. This shows that there is strong relationship between strategic planning and performance for business sustainability and stability in these banks.

5. Comparing group means-Estimated Margin Means

This is to find out if there is significant difference in the mean of the independent variables as to the suitability of the dependent variables for decision making.

1. The difference in the mean scores of the types of banks i.e. independent variables under corporate governance is not significant in each case. From the MANOVA output, the difference in each case is less than one scale point.viz:

Difference between slightly strong banks and strong banks is 0.269

Difference between slightly strong banks and very strong banks is 0.213

Difference between very strong banks and strong banks is 0.056

This results proofs that corporate governance is very important in the three groups of banks for increase in capital, liquidity, profitability and efficiency in resources management.

2. To determine whether poor corporate governance can result into down turn in business, distress and liquidation in the three groups of banks, the difference in the group means is insignificant with less than one scale point. Viz:

Difference between strong banks and slightly strong banks is 0.218

Difference between strong and very strong banks is 0.389

Difference between slightly strong and very strong 0.171

This shows that poor corporate governance can affect business, and which can result into downturn in the business, distress and effectual liquidation in the three types/groups of banks

3. To determine whether boardroom upheavals and crisis can have strong negative impact on customers' patronage and expansion of business in the three types of banks, the computation of the difference shows a less than one scale point.

Difference between strong banks and slightly strong banks is 0.038

Difference between slightly strong banks and very strong banks is 0.018

Difference between strong banks and very strong banks is 0.018

This result shows that board room upheavals and crisis can result into negative customers' patronage and expansion of business in the three groups of banks

4. To determine whether sustainable growth can be determined by the type of corporate governance in the three groups of banks, the computation of the difference shows a less than one scale point.viz:

Difference between very strong banks and strong banks is zero.

Difference between very strong banks and slightly strong banks is 0.205

Difference between strong banks and slightly strong banks is 0.205.

This shows that there is strong relationship between corporate governance and business sustainable growth in the three groups of banks.

5. To determine whether corporate governance can have relationship with financial reporting and influences shareholders perception, the difference in the means of the groups of banks show that each is less than one scale point.viz:

Difference between very strong banks and strong banks is 0.389

Difference between very strong banks and slightly strong banks is 0.402

Difference between strong banks and slightly strong banks is 0.013

The result shows that there is strong relationship between corporate governance and financial reporting in the three types of banks.

6..To determine if shareholders lost of investments and deposits can not be attributed to poor corporate governance in the three groups of banks, the difference in the group means is insignificant and less than one scale point.viz:

Difference between slightly strong banks and strong banks is 0.102

Difference between slightly strong banks and very strong banks is 0.436

Difference between strong banks and very strong banks is 0.334

Therefore, the result shows that there is strong relationship between corporate governance and safety of investment and deposits in the three groups of banks and hence the lost of investment and deposits can be attributed to poor corporate governance.

7. To determine if consistence in board constitution and directors knowledge of the operating environment can motivate growth and expansion of business in the three groups of banks, the difference in their means is quite insignificant as computed thus:

Difference between very strong banks and strong banks is 0.111

Difference between very strong banks and slightly strong banks is 0.009

Difference between slightly strong banks and strong banks is 0.102.

This result shows that there is a strong relationship between consistence in board and directors knowledge of the banking business and business growth and expansion in the three groups of banks.

From these individual results, the dependent variables fit the same way into all the groups of banks. This is an indication that there is a strong relationship between corporate governance, strategic planning and performance for business sustainability and stability in the slightly strong banks, strong banks and very strong banks.

6. Levene's Test of Equality of error of variance.

This is to test for the violation of the equality of variance in the variables if the significance column has value less than .05., and perform univariate test in such case.

Dependent Variables	F	df1	df2	sig.
1. Good corporate governance	2.497	2	25	.103
2 Poor corporate governance	1.937	2	25	.165
3. Boardroom upheavals	.680	2	25	.516
4. Sustainable growth determination	.637	2	25	.537
5. Corporate governance and financial Reporting relationship	4.783	2	25	.017

6. Loss of investments and deposits	.807	2	25	.458
7. Consistence in board constitution	.399	2	25	.675
Total	11.740			2.471

At the significance level of .05,the group significant level is 2.471 and each dependent variable has an alpha level above 0.05 with the exception of corporate governance and financial reporting relationship which has significance level of .017.With the degree of freedom 2 for the independent variables and degree of freedom 25 for the dependent variables, the F-test for the group is 11.74 which is above the tabulated of 3.38 and the group total significance is 2.471.For the corporate governance and financial reporting relationship, applying the univariate model to determine its significance, at significance level of 2 and 25,the tabulated critical value of the F-test is 3.38,while the computed shows the result of 4.783 which is higher than the tabulated.

With these results it means there is no violation of equality of variance, and hence the results show the relevance and homogeneity of the dependent variables that have proved the strong relationship between strategic planning and performance for business sustainability and stability in the slightly strong banks, strong banks and very strong banks.

SUMMARY OF RESULTS

The descriptive statistics show a high correlation of the groups means with high scores and below one scale point standard deviation for each of the dependent variables translating to the fact that there is a strong relationship between corporate governance, strategic planning and performance; the multivariate tests proved that there is no significant difference in the groups in their linear combination with the use of Wilk's Lambda statistics and others signifying collinearity in the interrelationship between the seven dependent variables and the three groups of banks; The significance level of each of the dependent variables in between-subjects effects reflects figures above 0.0072 indicating that all the seven dependent variables are financial tools for corporate governance and strategic planning to give performance that will ensure business sustainability and stability in the three groups of banks.

In comparing the group means, we observed no significant difference within slightly strong banks, strong banks and very strong banks in all the seven cells relative to the seven dependent variables. The minute difference of less than one scale point is a confirmation that good corporate governance, good financial reporting, efficiency in corporate governance, sustainable business growth, strong board, effective control in corporate governance, and consistence in board with business knowledge are key indices in corporate governance for decision taken to resolve and avoid financial distress in all the three groups of banks. At the levene's test of equality of variance, the results show that there was no violation of equality of error variance as all the dependent variables individually and in total meet the minimum significance level of .05.The computed F-test for the group is 11.740 against the tabulated critical value of 3.38.

DECISION:

In each of these statistical outputs and analysis, it has proved that there is a strong relationship between strategic planning and performance for business sustainability and stability in the slightly strong banks, strong banks and very strong banks which is the banking industry. This also evaluated and proved our objective number four

Therefore, the null hypothesis should be rejected and we adopt the alternate.

4.5.4: TESTING OF HYPOTHESIS 4

H_0: Investment policies do not affect assets and liabilities management in the banking industry.

Interpretation of output from Multivariate Analysis ofVariance (MANOVA) Appendix12

1. Between-Subjects Factors:

The respondents were grouped into three independent variables:

Types of Banks	Value label	N VALUE
1	Slightly strong	13
2	Strong	6
3	Very Strong	9
		28

The above categorization was based on profit level as defined on 152.

2. Descriptive Statistics:

The number of independent variables in each cell is three which satisfies the minimum number of three for MANOVA.The three independent variables are slightly strong bank, strong bank, and very strong bank. The N value of 28 corresponds with the number of corporate questionnaires received from the respondents and input into the SPSS system. Eight dependent variables representing questions picked for the testing of hypothesis were inputted .viz:

1. Security nature and management –SECURTYN
2. Strong relationship between investment policies
   and effective management of assets and liabilities- STRONGRL
3. Liquidity problem-LIQUIDPR

4. Good capital budgetary system- BUDGSYTM

5. Good investment appraisal system-INVSTAPS

6. Depositors money and assets- DEPOSMNY

7. Fixed assets and tax benefits for fund retention- FUNDRETN

8. Compliance with monetary policy- POLICYCO.

From the descriptive statistics table, the average mean of the independent variables relative to the dependent variable with high score in each cell is highly correlated with the below the one scale point of the average standard deviation. Each point is explained below:

1. To evaluate if large amount of non-performing loans and advances can be attributed to the unrealizable nature of the security or to the management of advances. The average mean of 2.8214 and the below one scale point average standard deviation of .6118 show that there is a strong relationship between the management of the loans and advances and the performance of such facilities in the three groups of banks. The result nullifies the question statement of non-performance due to the unrealizable nature of the securities..

2. To evaluate if there is a strong relationship between good investment policy and effective management of assets and liabilities for enhancement of returns on investment and liquidity availability. The average mean of 4.6429 and a below the one scale point standard deviation of .7310 reveals that there is that relationship between investment policy and management of assets and liabilities in the groups of banks for returns on investment and liquidity availability.

3. The average mean of 2.5357 and the below one scale point standard deviation of 0.5762 on LIQUIDPR show that growing assets more than liabilities in all the groups of

banks will create financial distress. This means there is a strong relationship between growing assets and liabilities and financial distress in the slightly strong banks, strong banks and very strong banks.

4.The average mean of 4.6429 and a below one scale point average standard deviation of 0.4880 show that a good capital budgetary system is a necessity for liquidity management and timely replacement of productive assets in the three groups of banks. Hence there is a strong relationship between good capital budgetary system and liquidity management, and early replacement of productive assets in the three groups of banks.

5. The evaluation of good investment appraisal system and shoring up of capital base shows an average mean of 4.4285 and a below one scale point standard deviation of 0.6341 in the three groups of banks. The result reveals that there is a strong relationship between good investment appraisal system and shoring up of capital base in the three types of banks.

6.Evaluating if the use of depositors money to buy assets for operational activities is a bad investment policy which can lead to distress shows that the average mean of the independent variables is 4.2857 with above one scale point average standard deviation of 1.501.The average standard deviation for strong bank is 0.4082,for very strong bank is 0.9718,while that of slightly strong bank is 1.442 though statistically high, but is less than two scale points .The average of the group is less than two scale points. With this analysis of the result, it is not a good investment policy in the groups of banks to use depositors' money to buy assets for operational activities, as it can lead to financial distress.

7. Evaluating if it is a good investment policy for a bank to buy adequate fixed assets for operational activities in order to enjoy tax credits for reduction in tax liability and

retention of liquid funds. The statistical result shows an average mean of 3.8571 and a below one scale average standard deviation of .8483 which is less than one scale point. This results show that there is a strong relationship between buying adequate fixed assets and tax credits for fund retention in the groups of banks

8. To evaluate if compliance with Central Bank of Nigeria (CBN) monetary policy on liquidity will resolve distress in the banking institutions. The statistical results show an average mean of 4.3571 which is reasonable and a below one scale point average standard deviation of 0.8262 for the groups of banks, indicating the fact that there is a strong relationship between compliance with Central Bank of Nigeria monetary policy on liquidity ratio and resolution of distress in the three groups of banks.

3. Multivariate Tests:

This is to test the significant difference within the groups on a linear combination of the dependent variables if any of the results obtained is less than .05

The statistics computed by SPSS for the three groups of banks show the following:

Pillars Tree = .960

Wilk's Lambda =.963

Hotelling's Trace =.966

Roy's Largest Root=.636

With each of the significance computed under the statistical models higher than .05 for the groups of banks, it means there is no significance difference among the groups of banks on a linear combination. This confirms homogeneity in their linear combination. It also confirms that the interrelationship between eight dependent variables and the three independent variables are collinear. The result therefore shows that there is a strong relationship between investment policy and management of assets and liabilities for performance sustainable growth in the three groups of banks.

4. Test of Between Subjects Effects (Test of Significance)

This is to investigate further after multivariate tests in relation to each of the dependent variables if the banks differ on all of the dependent measures. We applied Bonferroni adjustment by dividing the original level of .05 by the number of dependent variables under test, which is .05÷8 =.00625.If any of the computed significance is less than 0.00625 cut off, it becomes a significant difference within the slightly strong banks, strong banks, and very strong banks. We therefore extract the dependent variables with their associated univariate F, df and sig. values thus:.

Dependent variable	df	F	Sig.
1. Security nature and management (SECURTYN)	2	.376	.690
2. Strong relationship of good investment Policy (STRONGLR)	2	.705	.504
3. Liquidity Problem (LIQUIDPR)	2	.960	.396
4. Good capital budgetary system (BUDGSYTM)	2	.036	.965
5. Good Investment Appraisal system (INVSTAPS)	2	.147	.864
6. Depositors Money and Assets (DEPOSMNY)	2	.901	.419
7. Adequate fixed assets and tax benefits and fund Retention (FUNDREIN)	2	.185	.832
8. Compliance with monetary policy (POLICYCO)	2	.276	.761

This table shows that there is no significance difference within the slightly strong banks, strong banks and very strong banks as none of the dependent reflects a significant figure below .00625.In addition to the fact that the dependent variables and independent variables show co linearity in their interrelationship under multivariate tests, the significant test also proofs that all the dependent variables fit into solving problems of investment policy and management of assets and liabilities for sustainable performance growth in the three groups of banks .

5. Comparing group means:

This is to find out if there is significant difference in the mean of the independent variables as to the suitability of the dependent variables for decision making.

1. In securities and management of advances, the difference is minor and less than one scale point viz:

Difference between slightly strong banks and very strong banks=0.145

Difference between slightly strong banks and strong banks = 0.256

Difference between very strong banks and strong banks =0.111

Therefore there is strong relationship between management of loans and advances and the performance of the loans and advances. The result shows the importance of the variable for decision making in the three groups of banks.

2. In determining strong relationship between investment policy and effective management of assets and liabilities, the difference in the group is less than one scale point as computed below:

Difference between very strong banks and strong banks is 0.445

Difference between very strong banks and slightly strong banks is 0.086

Difference between slightly strong banks and strong banks is 0.359

Therefore there is a strong relationship between investment policy and effective management of assets and liabilities for enhancement on returns on investment and liquidity availability, and very important for decision making in the three groups of banks.

3. In evaluating if growing assets more than liabilities can create liquidity problem, the difference in the group means is less than one scale point as shown thus:

Difference between slightly strong banks and very strong banks is 0.248

Difference between slightly strong banks and strong banks is 0.359

Difference between very strong banks and strong banks is 0.111

Therefore the result shows there is a strong relationship between growing assets more than liabilities and liquidity and good for decision making in the three groups of banks. This shows that growing assets more than liabilities can create liquidity problem and can lead to financial distress.

4. In evaluating if capital budgetary system is a necessity for liquidity management and timely replacement of productive assets, the difference in the group means is insignificant as each is less than one scale point as computed thus:

Difference between very strong banks and strong banks is zero

Difference between very strong banks and slightly strong banks is 0.052

Difference between strong banks and slightly strong banks is 0.052

This result reveals that there is a strong relation between good capital budgetary system and liquidity management including timely replacement of productive assets and is good for decision making in the three groups of banks. That capital budgetary system is a necessity for liquidity management and timely replacement of assets in the three groups of banks.

5. To determine if good investment appraisal system in the banks will help to know when to shore up capital base in the banks, the difference in the group means is insignificant and less than one scale point as computed thus:

Difference between strong banks and very strong banks is 0.167

Difference between strong banks and slightly strong banks is 0.038

Difference between slightly strong banks and very strong banks is 0.129

The result shows there is a strong relationship between good investment appraisal system and increase in capital base, and is very good for decision making in the three groups of banks. That good investment policy will help to determine when to increase the capital base in the three groups of banks.

6. To evaluate if using depositors' money to buy assets for operational activities is a bad investment policy and can lead to financial distress, the difference in the group means is insignificant and less than one scale point as computed thus:

Difference between strong banks and very strong banks is 0.611

Difference between strong banks and slightly strong banks is 0.756

Difference between very strong banks and slightly strong banks is 0.145

This result shows that there is a very strong relationship between using depositors money for assets purchase and financial distress .This dependent variable can be effectively used for decision making in the three groups of banks. That is using depositors money to acquire assets can lead to financial distress in the three groups of banks.

7. To determine if it is a good investment policy for banks to buy adequate fixed assets for operational activities and enjoy tax benefits. The difference in the group means is insignificant and less than one scale point as computed thus:

Difference between slightly strong banks and very strong banks is 0.034

Difference between slightly strong banks and strong banks is 0.256

Difference between very strong banks and strong banks is 0.222

This results shows that there is a strong relationship between buying adequate assets for operational activities, and tax benefits for liquidity retention. The variable is very good for decision making in the three groups of banks. That is adequate fixed assets for operational activities will result into qualifying capital expenditure for tax benefits through capital allowances that will reduce tax liability and enhance liquidity increase in the three groups of banks.

8. To evaluate if compliance with central bank of Nigeria monetary policy on liquidity ratio can be taken as a factor for distress resolution in the three groups of banks. The difference among the groups of banks is very insignificant as the computation shows a below one scale point in each case.

Difference between strong banks and very strong banks is 0.056

Difference between strong banks and slightly strong banks is 0.269

Difference between very strong banks and slightly strong banks is 0.213

The result shows that there is a very strong relationship between compliance with Central Bank of Nigeria monetary policy on liquidity ratio and resolution to financial distress. It is very important for decision making in the three groups of banks. That is compliance with Central Bank of Nigeria monetary policies in the three groups of banks will resolve liquidity problem and financial problem.

6. Levene's Test of Equality of Error variances.

This is to test for the violation of the equality of variance in the variables if the significance column for each dependent has a value less than .05 and determine its univariate output in such a case. The extracted output is analyzed to determine if there is any violation

Dependent variables	F	df	df2	Sig.
1. Securities nature and management (SECURTYN)	.154	2	25	.858
2. Strong relationship of good investment policy (STRONGRL)	2.598	2	25	.094
3. Liquidity Problem (LIQUIDPR)	.324	2	25	.726
4. Good capital budgetary system (BUDGSYTM)	.136	2	25	.873
5. Good investment appraisal system (INVSTAPS)	.257	2	25	.775
6. Depositors money and assets (DEPOSMNY)	3.408	2	25	.049
7. Adequate fixed assets and tax benefits and Fund retention (FUNDRETN)	.265	2	25	.769
8. Compliance with monetary policy (POLICYCO)	.511	2	25	.606
Total	7.653			4.75

From the result shown above, each dependent variable has a significant level of above .05 with the exception of depositors' money and assets which shows exactly .05.With its univariate analysis, at the alpha level of .05, and significance level of 2 and 25, the tabulated F test is 3.380 while the computed F.test is 3.408 higher than the tabulated.

This shows a very significant nature of the variable with other variables. With the degree of freedom of 2 for the independent variables and degree of freedom 25 for the dependent variables, the group F-test is 7.653 which is higher than the tabulated of 3.38.The result shows equality of variance for the groups thereby showing no violation of the of equality of variance since the computed significance level for each is above .05.

SUMMARY OF RESULTS:

The descriptive statistics show that the high mean of the independent variables relative to the dependent variables in each cell is highly correlated with the below one scale point of the low standard deviation depicting a very strong relationship between investment policy and management of assets and liabilities for performance sustainable growth. The multivariate tests show there is no difference among the groups of banks on a linear relationship on a linear combination. The output as revealed by Wilk's Lambda and others statistical model show the significance level of the dependent variables relative to the independent variables is more than 0.05

The tests of between subjects effects i.e. Significance of each dependent variable using Bonferroni Adjustment is higher than .00625 which shows that all the dependent variables fit into solving the distress problem and proving further the strong relationship as stated above. The groups' means comparisons show that in all the cells, there is no significant difference in the mean of the independent variables as to the suitability of dependent variables for decision making. In all the computations, the differences are insignificant as they are less than one scale point in each case. All the dependent variables support and are very relevant for the testing of the hypothesis, and they have proved the strong relationship between investment policy and management of assets and liabilities for performance sustainable growth. The levene's test of equality of error variances shows equality of error of the dependent variables across the groups. The significance level of each variable is above 0.05 while the total group significance is 4.75 with F test 7.653 higher than 3.38 tabulated.

DECISION

In each of the statistical outputs and analysis, it has proved that there is a strong relationship between investment policy and management of assets and liabilities for sustainable performance growth in the banking industry. Therefore, the null hypothesis was rejected and i accepted the alternative as stated. This also evaluated and proved our objective two that there is the need for a good investment policy for the management of assets and liabilities in the banking industry.

4.5.5: TESTING HYPOTHESIS 5

H_0: There is no co-movement between bank performance and Gross Domestic Product (GDP)

Interpretation of output from Multivariate Analysis of Variance (MANOVA) Appendix 13

1. Between Subjects Factors

The respondents were grouped into three Independent variables.

Types of Banks	Value label	N VALUE
1	Slightly strong	13
2	Strong	6
3	Very strong	9
		28

The above categorization was based on profit level as defined on page 152.

2. Descriptive Statistics

The number of independent variables in each cell is three which satisfies the minimum number of three for MANOVA Viz: slightly strong, strong, and very strong banks. The N value of 28 corresponds with the number of questionnaires received from the respondents and input into the Statistical Package for Social Sciences (SPSS) system. Five dependent variables representing questions picked for the testing of hypothesis were inputted as follows:

1. Co-movement between bank performance and GDP -COMOVEM
2. Economic Performance Indices change -ECOPEIND
3. Effect of distress on GDP -EFFCTGDP
4. Financial Strategy as antidote- FSANTIDO
5. Financial distress as a killer disease- FDKLDISS

From the descriptive table, average means and average standard deviation of the independent variables relative to the dependent variable in each cell well is highly correlated. Their low average standard deviation and high mean reflects the significance of the dependent variable in each case. The average standard deviation in each case is less than one scale point with the exception of co- movement with 1.0516, but less than two scale points.

1. To evaluate if there is a co-movement and constant relationship between bank performance and Gross Domestic Product, the average mean of the group is high with 4.0714 while the average standard deviation of 1.0516 is significant but less than two scale points .This reflects the fact that with the correlation, there is co-movement between bank performance and GDP in the three groups of banks.

2. To evaluate if any change in economic performance indices will affect the performance of banks and GDP, the average mean of the groups is high with 4.5357 while the standard deviation is low with below one scale point of 0.5079. This is an indication that any change in economic performance indices will affect bank performance and GDP in the three groups of banks..

3.The average mean of 2.2857 and a below one scale point average standard deviation of .4600 in cell three(EFFCTGDP)show that distress in the banking industry will affect GDP,while other segments of the economy can not operate without the banking industry.

4. To evaluate the effect of financial strategy as an antidote, the average mean of 4.5000 is high with a below one scale point of 0.5092.The result shows that there is a very strong relationship between financial strategy as antidote to distress and the positive effect on Gross Domestic Product in the three groups of banks .

5. To evaluate the statistical result of cell 5 that financial distress is a killer disease that affects the GDP and Nigerian position in the international community, the average mean is high with 4.6071 while the average standard deviation is below one scale point of 0.4973. The result shows that there is high correlation between financial distress as a killer disease and the Gross Domestic Product (GDP) in the three groups of banks

3. Multivariate Tests;

This is to test the significant difference among the groups on a linear combination of the dependent variables if any of the results obtained is less than .05 alpha level. The statistics computed by SPSS for the three groups of banks is as extracted below

Pillars Trace =.319

Wilks Lambda =.354

Hotelling's Trace =.392

Roy's Largest Root = .296

With each of the significance computed under the statistical models higher than .05 for the groups of banks, it means there is no significance difference among the groups of banks on a linear combination. This confirms homogeneity of their linear combination.

It also confirms that the interrelationship between five dependent variables and the three independent variables are collinear. The result therefore shows that there is a strong relationship between bank performance and Gross Domestic Products to determine their co-movement.

4. Tests of Between Subjects Effects (Test of Significance)

This is to investigate further after multivariate tests in relation to each of the dependent variables if the groups of banks differ on any of the dependent measures. We applied Bonferroni adjustment by dividing the original alpha level of .05 by the number of dependent variables for testing. That is .05 ÷5 =.010.If any of the significance level is less than 0.010, it means is the significant difference within the groups of banks.

The output from the MANOVA computation is extracted below;

Dependent Variables	df	F.	Sig.
1. Co-movement between bank performance and GDP (COMOVEM)	2	1.568	.228
2. Economic Performance Indices (ECOPEIND)	2	1.695	.204
3. Effect of Distress on GDP (EFFCTGDP)	2	2.423	.109
4. Financial Strategy as Antidote (FSANTIDO)	2	2.522	.101
5. Financial distress as a killer disease (FDKLDISS)	2	.218	.806

The table shows that none of the dependent variable has significance level of less than .010.The result shows that all the dependent variables fit into solving the problems of relationship between bank performance and GDP as regards their co-movement. This shows that there is a strong relationship between bank performance and Gross Domestic Product to determine their co movement , and all the dependent variables will work together to achieve this position.

5 Comparing Group means

This is to find out if there is significant difference in the mean of the independent variables as to the suitability of the dependent variables for decision making in the groups of banks.

1. In determining if there is co-movement and constant relationship between bank performance and Gross Domestic Product among the independent variables and differences in their means. The difference within the means is insignificant and less than one scale point as computed thus

Difference between very strong banks and strong banks is 0.556

Difference between very strong banks and slightly strong banks is 0.787

Difference between strong banks and slightly strong banks is 0.231

This shows that there is co-movement and constant relationship between bank performance and Gross Domestic Product and is good for decision making in the three groups of banks.

2. In evaluating if the change in economic performance indices will affect the performance of banks and GDP and decision making in the three types of banks, the

statistical results show that the difference in the means of the groups is insignificant and below one scale point as computed thus:

Difference between strong banks and very strong bank is 0.277

Difference between strong banks and slightly strong banks is 0.448

Difference between very strong banks and slightly strong banks is 0.171.

This result shows that any change in economic performance indices will affect performance and GDP in the three groups of banks and this is very good for decision making in the three groups.

3. In determining if other sectors of the economy will fill the gap created by the bank in view of distress, the result shows no significance difference in the means of the three groups of banks with each showing a less than one scale point as computed below:

Difference between Slightly strong banks and very strong banks is 0.240

Difference between slightly strong banks and strong banks is 0.462

Difference between very strong banks and strong banks is 0.222

The result indicates that distress in the banking sector will have effect on the GDP and other sectors of the economy cannot fill the gap created by baking industry distress in all the three groups of banks.

4. To determine if financial strategy as an antidote for financial distress has positive effect on the GDP, and the difference within the means is insignificant and below one scale point as computed thus:

Difference between very strong banks and strong banks is 0.278

Difference between strong banks and slightly strong banks is 0.192

Difference between very strong banks and slightly strong banks is 0.470

This result shows that Financial strategy can effectively serve as antidote to financial distress in the three groups of banks, also very good for making decision in the types of banks under study.

5. To evaluate that financial distress is a killer disease which if not checked will affect Gross Domestic Product and the position of Nigeria in international community. The difference in the means of the three groups of banks is very insignificant and less than one scale point as computed thus: and

Difference between very strong banks and strong banks is Zero

Difference between very strong banks and slightly strong banks is 0.129

Different between strong banks and slightly strong banks is 0.129

The result shows that there is a strong relationship between financial distress as a killer disease and Gross Domestic Products in the three groups of banks. This dependent variable therefore can be used to make decision in the three types of banks.

6. Levene's Test of Equality of Error Variances

This is to test for the violation of the equality of variance in the variables if the significance column value is less than .05 alpha level, and analyzing the univariate output in such a case.

The following extracts from the MANOVA output explain the situation:

Dependent variable	F	df1	df2	Sig.
1. Comovement between bank performance and GDP (COMOVEM)	1.323	2	25	.284
2. Economic Performance Indices change (ECOPEIND)	4.414	2	25	.023

3. Effect of Distress on GDP (EFFCTGDP)	25.399	2	25	.000
4. Financial Strategy as Antidote (FSANTIDO)	1.238	2	25	.307
5. Financial Distress as a killer disease (FDKLDISS)	.618	2	25	.547
Total	32.992			1.161

At the significant level of 0.05 the significance level of the group is 1.161 while the individual dependent variables have significant level above 0.05 with the exception of Effect of distress on GDP and Economic performance indices change.

For economic performance indices with significance level of 0.023, following the norms, we applied its univariate analysis to determine its significance. At the degree of freedom of 2 and 25, its critical tabulated F-value is 3.38 while its computed F- value is 4.414 which is higher than the tabulated .This is an indication that it is very significant for the hypothesis testing.

For the Effect of distress on GDP, at degree of freedom of 2 and 25, the critical tabulated F-value is 3.38, while the computed F-value is 25.399 which is higher than the tabulated. This shows that it is very significant to testing the hypothesis.

It therefore shows that there is equality in the variance of the groups, and that all the dependent variables are very significant to determine the established strong relationship between bank performance and Gross Domestic Product in the three groups of banks.

SUMMARY OF RESULTS

The descriptive statistics show high correlation between the high means and standard deviation of independent variables relative to the dependent variables. This shows homogeneity and the significance of the five dependent variables in supporting the very strong relationship between bank performance and Gross Domestics Product to determine their co movement in the three groups of banks. The multivariate tests confirm that there is no significant difference among the groups of banks on linear relationship. The statistics of Wilks'Lambda and others confirm homogeneity in their linear relationship. That is with each significance level above 0.05, the interrelationship between the dependent variables and independent variables is collinear.There is therefore a strong relationship between bank performance and Gross Domestic Product.

The test of between subject effects (test of significance) shows that in using Bonferroni adjustment for higher alpha level, the significance level of each dependent variable is higher than the new level of 0.010. This confirms that all the dependent variables fit into solving the problem of distress and that there is a strong relationship between bank performance and Gross Domestic product in the groups of banks. In the group means comparison, the difference within the group means is less than one scale point which also confirms that all the dependent variables proved that there is a strong relationship between bank performance and Gross Domestic Product in all the groups of banks..

The levene's Test of significance shows that there is no violation of equality of variance within the significance level within group recording above .05.the computed F-test of the group is 32.992 as against 3.38 for the tabulated showing a higher figure and the homogeneity of the dependent variables.

DECISION:

In each of the statistical output and analysis, it has proved that there is a strong relationship between bank performance and Gross Domestic Product to determine the co movement between them. Therefore we reject the null hypothesis and accept the alternative which says "There is a strong relationship between bank performance and Gross Domestic Product to determine their co movement". The result also evaluated and proved our objective number three.

4.6 ANALYSIS OF SECONDARY DATA

These are data derived from the operations of the banking institutions, and which can be termed the economic consequences of the various economic decisions taken by the management of the various banking organizations. The data collected covered a period of ten years from 1998 to 2007. The data collected for this study are the audited financial statements of the banks which the Central Bank of Nigeria (CBN) Nigeria Deposit Insurance Corporation (NDIC) and Nigerian Stock Exchange (NSE) have aggregated and certified. The figures used as stated in appendices 14 and 15 are macro figures from the three regulatory authorities Two methods are adopted in this work to analyze our findings for reliability and validity.

HYPOTHESIS:H_0 =There is no co movement between bank performance and Gross Domestic Product.

4:6:1 MULTIPLE LINEAR REGRESSION: (APPENDIX 16)

Multiple regression is used to explore the relationship between one continuous dependent variable (Gross Domestic Product) and a number of independent variables (Capital, Asset, Liquidity, Profit before tax, Dividend paid and Tax paid)

Statistical Package for Social Sciences (SPSS) was applied in computing the ten years figures obtained.The following analysis are derived from the output of the computation.

1. Correlations

The correlation between two random variables is a measure of the degree of linear association /relationtionship between them. Here we measured the relationship between Gross Domestic Product and the performance variables of the banks. The population correlation coefficient is denoted by ρ which will take any value from -1 through 0 to 1

The possible values of ρ and their interpretations are given below:

When ρ is zero = No linear relationship

When ρ is 1= Perfect, Positive linear relationship between dependent and independent variables, which signifies that when one variable increases, the other variable increases and vice versa.

When ρ is -1= Perfect negative linear relationship between the dependent and independent variables, which means if /when one variable increases, the other deceases and when one decreases, the other increases.

When ρ is between 0 and 1 in absolute term, it reflects the relative strength of the linear relationship between the two variables i.e.:

0.90 implies a relatively strong positive relationship between the variables.

0.30 implies a relatively weak positive linear relationship.

From the SPSS output in appendix 16, the following were extracted for interpretation:

Gross Domestic Product (GDP)–Dependent variable =1

Independent variables are:

Capital = .982

Asset =.963

Liquidity=.981

Profit Before tax= .919

Dividend =.895

Tax paid= .932

From these results, it shows that with GDP posting 1, there is a perfect positive linear relationship between it and the other bank performance indices that are the independent variables, and that increase in GDP means other variables must have increased.

From the results of the independent variables they are in absolute value of 0.90 which reflects a very strong linear relationship between them and Gross Domestic Product. The result shows that there is strong relationship between Gross Domestic Product and bank performance and any changes in Nigerian bank performance will reflect in the performance of Gross Domestic product.

2. Collinearity Diagnostics

This is to test if the use of regression for this work violates the assumption of multicollinearity.If the value of each variable under collinearity tolerance is low near to zero value, then this indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity.

From the extraction from the SPSS output, the Collinearity statistics tolerance for the independent variables is stated thus:

Capital =.001

Asset= .001

Liquidity= .002

Profit before tax= .000

Dividend paid= .010

Tax paid= .000

The result shows that there is multicollinearity of all the variables and no violation of the multiple regression assumption multicollinearity.

3. Model Summary:

This tells us how much of the variance in the dependent variable (Gross Domestic Product) is explained by the model which includes the variables of capital,asset,liquidity,profit before tax, dividend paid and tax paid. This is denoted by R Square in the ourput.From the Model summary table, the R Square is 99.7percent .This means our model i.e. the bank performance indices explains 99.7 percent of the variance in Gross Domestic Product. This figure is quite a respectable result.

For adjustment if there is overestimation in the R Square figure, Adjusted R Square corrects this value to provide a better estimate of the true population value. From the Adjusted R Square the true population value of the independent variables in the dependent variable is 99.0 percent which is high and impressive. This proves the reliability of model and the results derived from the computations.

4. Evaluating of each of the independent variables

Here we consider which of the independent variables contributed to the prediction of the dependent variable. We look at the standardized coefficients and checked the column labeled Beta. Standardized means that the values for each of the different variables have been converted to the same scale so that we can compare them. Using the Beta values enables us to compare the contribution of each independent variable to explaining the dependent variable.

From the SPSS output the following beta values (Coefficients) were extracted:

Capital = 1.333

Asset = .385

Liquidity = -1.164

Profit before tax = 2.552

Dividend Paid = .847

Tax Paid = -2.837

In comparing the largest, we have to ignore the negative signs following the standard. Therefore in order of contribution of the independent variables to the dependent variable, the table starts from the strongest beta coefficients and down the line.

1. Tax Paid =-2.837

2. Profit before tax = 2.552

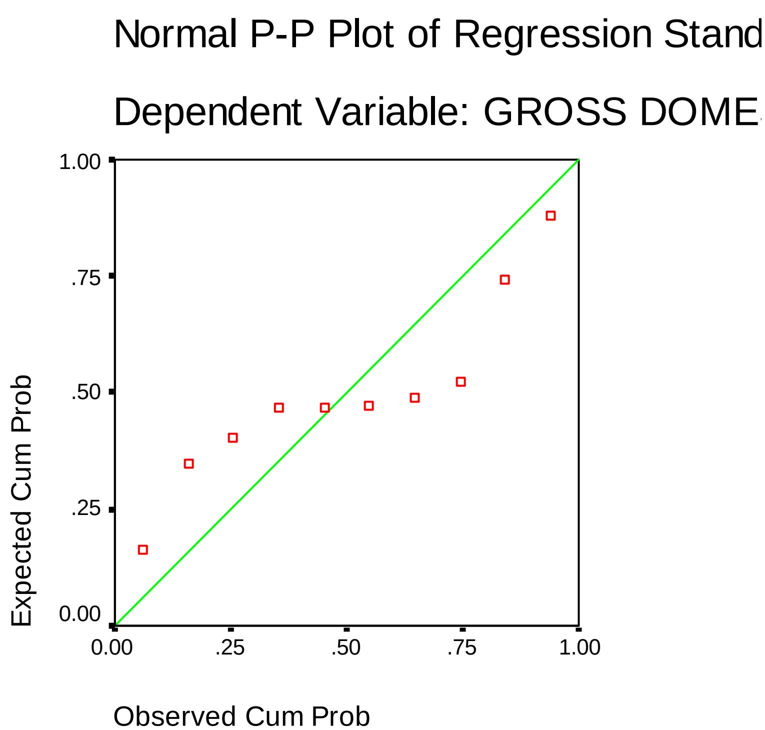
3. Capital =1.333

4. Liquidity =1.164

5. Dividend Paid = .847

6. Asset = .385

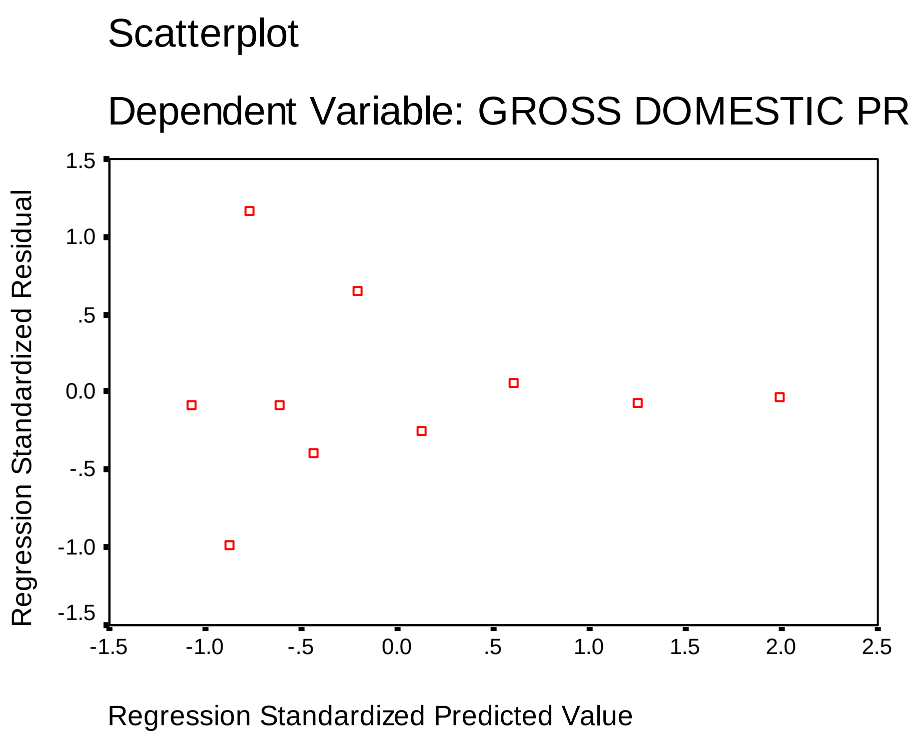
***5. Interpretation of the Charts: Normality Probability Plot and Residual Scatterplot*.**



The graph above shows Normal Probability Plot of Regression Standardized residual.

The Dependent Variable is the Gross Domestic Product

In this Normal Probability Plot above as produced by the SPSS, the points lie in a reasonably straight diagonal line from the bottom left to the right. From this graph position, there is no major deviation from normality. This shows a linear relationship exists between the dependent variable and independent variables.



Dependent Variable: Gross Domestic Product.

In the Scatterplot of the residual values above, the residuals are rectangularly distributed as most of the scores concentrated in the center along 0 point. Since it is not curvilinear, but scatter in rectangular form, there is no violation of the assumption.

The two charts show that there is a strong relationship between Gross Domestic Product and Bank Performance indices (The independent Variables) in Nigerian banking industry.

6. *ANALYSIS OF VARIANCE (ANOVA)*

To evaluate if there is a co movement between Gross Domestic Product and bank performance, we computed the Analysis of Variance of the secondary data using Statistical Package for Social Sciences (SPSS).The table below shows the output:

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	355355752395608.000	6	59225958732601.300	147.963	.001
	Residual	1200827364125.978	3	400275788041.993		
	Total	356556579759734.000	9			

a Predictors: (Constant), TAX PAID, DIVIDEND PAID, LIQUIDITY, CAPITAL, ASSET, PROFIT BEFORE TAX
b Dependent Variable: GROSS DOMESTIC PRODUCT

At the alpha level of 0.05, and degree of freedom 6, 3, the computed F-test is 147.963 as against the tabulated critical value of 8.94.Also the ρ of .001 is less than the significance level of .05.

The result of the analysis shows there is a very strong relationship between the Gross Domestic Product and Bank performance and further confirmed that there is co movement between Gross Domestic Product and Bank Performance Indices viz: Capital, Asset, liquidity, Profit before tax, dividend paid and tax paid. This shows that a positive performance in the bank operations will have positive effect in Gross Domestic Product (GDP).

Therefore the null hypothesis should be rejected and accept the alternate which says there is a strong relationship and co movement between Gross Domestic Product and Bank performance.

4.6.2: ANALYSIS AND COMPARISON OF GROWTH CHANGE IN GROSS DOMESTIC PRODUCT AND BANK PERFORMANCE INDICES.

This model of growth change is to evaluate the change in growth of Gross Domestic Product and the bank performance indices to determine their co movement .It is also aimed at discovering the significant occurrence within the period under study. The table 4.42 below computed from 1997 to 2007 macro data as shown in appendices 14 and 15 reveal the change in growth of all the variables.

Table 4.42ANALYSIS OF GROWTH IN GROSS DOMESTIC PRODUCTS AND BANKS PERFORMANCE INDICES FROM 1998 TO 2007

COMPUTATION OF PERCENTAGE GROWTH CHANGE

YEAR	% CHANGE IN GDP	% CHANGE IN CAPITAL	% CHANGE IN ASSET	% CHANGE IN LIQUIDITY	% CHANGE IN PROFIT	% CHANGE IN DIV PD	% CHANGE IN TAX PD
	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE
1998	(4.77%)	36%	17.23%	18.57%	36.35%	14.24%	24.42%
1999	17.29%	30.73%	18.19%	50.33%	27.82%	47.17%	26.47%
2000	43.48%	28.75%	44.05%	44.97%	13.76%	7.89%	8.55%
2001	2.71%	61.65%	38.43%	21.73%	46.27%	24.18%	58.24%
2002	13.06%	37.47%	11.66%	21.04%	24.33%	40.93%	35.27%
5YEARS AVERAGE 1998-2002	14.36%	38.92%	25.91%	31.33%	29.71%	26.88%	30.59%
2003	27.17%	27.25%	12.68%	16.72%	25.36%	18.74%	25.66%
2004	15.11%	7.67%	25.39%	25.50%	19.21%	18.91%	14.01%
2005	28.04%	38.54%	26.33%	22.15%	(25.86%)	9.75%	(19.62%)
2006	27.06%	46.11%	52.80%	83.01%	43.88%	31.72%	32.72%
2007	25.40%	60.23%	163.52%	38.26%	95.03%	(20.43%)	77.61%
5YEARS AVERAGE 2003-2007	24.56%	35.96%	56.14%	37.13%	31.53%	11.74%	26.08%
10YEARS AVERGE 1998 T0 2007	19.46%	37.44%	41.03%	34.23%	30.62%	19.31%	28.33%

Source:Field Survey,2010

1. Percentage change in growth from 1998 to 2005 (5years)

The average growth recorded by the dependent variable i.e. Gross Domestic Product for the five years period is 14.36percent. The independent variables recorded the attributed growth rates indicated against them:

Capital	38.92%
Asset	25.91%
Liquidity	31.33%
Profit	29.71%
Dividend Paid	26.88%
Tax Paid	30.59%

In the first five years under study, all the independent variables recorded positive growth change relative to the dependent variable which also recorded a positive growth change. However, the following significant occurrences were recorded within the period: In 1998 Gross Domestic Product recorded a negative growth change of 4.77%.This was a period that the Central Bank of Nigeria liquidated 26banks in Nigeria, which recorded a chain event in the economy. The effect on the change in growth of profit of the banks was not negatively impacted because the loss position of 26banks was no longer eating into the consolidated profits of the industry.

The 61.65% growth recorded on capital in 2001 was the result of recapitalization of banks after the liquidation of 1998 which have effect on profit with a growth change of 46.27%, dividend of 24.18% and tax paid of 58.24% .The effect was felt in the growth in Gross Domestic Product of 13.06% in 2002 from 2.71%

2 .Percentage change in growth from 2003 to 2007

The average growth change in Gross Domestic Product in the second five years increased to 24.56% from 14.36% during the first five years. The independent variables recorded the following growth changes:

Capital	35.96%
Asset	56.14%
Liquidity	37.13%
Profit	31.53%
Dividend Paid	11.74%
Tax paid	26.33%

All the dependent variables recorded positive percentage growth changes as reflected in the extracted figures relative to the same positive percentage growth change in Gross Domestic Product. This is an indication of strong positive linear correlation between them. However, the following significant changes were noticed within the period:

In 2005, the percentage growth change in profit before tax was 25.86 negative, which was the initial economic consequence of the proposed consolidation that took place in the industry with mergers and acquisition of 89 banks to 25megabanks, and liquidation of 14 banks that were totally distressed and could not be bought over. The same effect manifested in percentage growth change in tax paid which was 19.62% negative. Though dividend paid was not negative but, it fell from 18.91% in 2004 to 9.75% in 2005 due to the consolidation exercise which has effect on payment of dividends to shareholders. The consolidation recorded a negative growth change of 25.86% on profit in 2005 because of the changes in policies and operating environment as the number of banks that reduced from 89 in 2004 to 25 in 2005. The effect of bank recapitalization on capital started coming to effect in year 2005 with a growth change from 7.67% in 2004 to 38.54% in 2005, 46.11% in 2006 and 60.23% in 2007 .The positive growth in bank capital resulted into a change effect on other variables including Gross Domestic Product. The change in growth of liquidity from 22.15% in 2005 to 83.01% in 2006 resulted into astronomical growth in the assets of banks from 26.33% in 2005 to 52.80% in 2006 and 163.52% in 2007.The growth change in assets between 2006 and 2007 has positive effect on growth change in profit which was 43.88% in 2006 and 95.03% in 2007. The growth change of 14.01% in tax paid in 2004 recorded a negative growth change of 19.62% in 2005 due to consolidation in the banking industry that reduced the number of operating banks from 89 to 25 thereby reducing the profit before tax of banks. The effect of consolidation started manifesting in 2006 with growth change in tax paid of 32.72% when growth change in profit was 43.88% .The growth change in tax paid went up to 77.61% in 2007 when the growth change in profit before tax went up to 95.03%. The growth change in assets of 25.39% in 2004 ,26.33% in 2005,52.80% in 2006 and 163.52% in 2007 brought in another financial distress syndrome to the industry which came to manifestation in 2008 with the banks recording high percentage of non-performing assets.This has led to Central Bank of Nigeria intervening in the banking industry in 2009 by sacking eight Managing Directors and inviting Economic and Financial Crime Commission for recovering of the debts and prosecution of the bank officials that aided the distress.

3. Ten years Percentage change in growth-1998 to 2007:

The average growth change in Gross Domestic Product between 1998 and 2007 is 19.46% positive with all the independent variables having positive growth change as analyzed below:

Capital 37.44%

Asset 41.03%

Liquidity 34.23%

Profit 30.62%

Dividend Paid 19.31%

Tax Paid 28.33%

The figures show a Strong linear correlation between the Gross Domestic Product and Bank Performance indices which are all the independent variables listed above.

Therefore, the null hypothesis should be rejected and adopt the alternate which means there is a positive co movement between Gross Domestic Product and Bank Performance

FINANCIAL INSTITUTIONS PERCENTAGE CONTRIBUTION TO GDP 1998-2007

1998-3.97%	2003-4.12%
1999-4.06%	2004-3.96%
2000-4.03%	2005-3.81%
2001-4.02%	2006-3.77%
2002-4.97%	2007-3.22%

Before 2007, the position of the banking industry was 5th but dropped to 6th position in2007 among the 33 sectors reported by Central Bank of Nigeria (CBN) in 2007.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATIONS

5:1 RESEARCH FINDINGS: EMPIRICAL FINDINGS

These are the findings from the survey work to evaluate if financial strategy would serve as determinant for the resolution and avoidance of distress in Nigerian Banking industry.

EMPIRICAL FINDINGS:

The following are the findings from the empirical work carried out.

All the respondents believed in strategic management system, and that it should be installed for planning the realization of the objectives of an organization, formulation of policies for profit sustainability, market penetration and for adequate equity and working capital

100 percent of the respondents believed that financial strategy provides a central purpose and direction to the activities of the banking institutions, which will positively impact the performance of the organization.

89.2percent of the respondents agreed that the financial distress and liquidation of banking institutions in Nigerian economy were as a result of non-availability of or poor implementation of financial strategy.10.8percent disagreed with the assertion.

100 percent of the respondents believed that responsibility accounting provides periodic review of performance and instant remedial action that support performance and maintain growth in the banking industry.

96.5percent of the respondents believed that financial distress and banking institutions liquidation in Nigeria could be attributed to poor strategic planning in the banks affected.3.5percent disagreed with this.

92.9percent of the respondents believed that poor tax planning and non-compliance with tax laws can lead to large cash outflows in the payment of tax liabilities and penal charges which have negative impact on liquidity of the banks.7.2percent disagreed with the belief.

100 percent of the respondents believed that effective budgetary control in the banking industry would enhance profitability and liquidity growth

96.9percent of the respondents believed that leadership in the banking industry has a very strong relationship with performance and business growth, and also creates an excellent organization. 3.6percent disagreed with the assertion.

100 percent believed that profitability is a very strong variable for growth, and will have positive impact on capital growth, liquidity growth and performance growth.

100percent of the respondents were of the opinion that corporate governance is a determining factor for corporate existence to ensure increased capital, liquidity, profitability and efficiency in resource management

96.4 percent of the respondents believed that boardroom upheavals and crisis in the banking institutions have very strong negative impact on customers' patronage and expansion of business, and that it causes financial distress in the banking industry. 3.6percent disagreed with this position.

100 percent believed that consistence in the constitution of the board of directors and knowledge of the operating environment by the directors motivates the growth and expansion of business.

89.3percent of the respondents believed that poor management of loans and advances results into large amount of non-performing loans and advances.6.7percent did not believe in the position.

92.9percent of the respondents believed that good investment policy and effective management of assets and liabilities will enhance returns on investment and liquidity availability.7.3percent disagreed with this assertion.

100 percent of the respondents believed that a good capital budgetary system is a necessity for liquidity management and timely replacement of productive assets.

82.2percent of the respondents believed that it is a good investment policy for a bank to buy adequate fixed assets for operational activities in order to enjoy tax benefits for reduction in tax liability and retention of liquid funds.17.8disagreed with tax principle.

96.4percent of the respondents believed that compliance with Central Bank of Nigeria monetary policy by banks on liquidity ratio is a key factor for resolving distress in the banking industry. 3.6percent disagreed.

82.2percent of the respondents believed that there is a co-movement and constant strong relationship between bank performance and Gross Domestic Product.14.2percent disagreed while 3.6 could not decide.

100percent of the respondents believed that any change in economic performance indices like inflation, rate of exchange, interest rate, disposable income, will have negative impact on performance and Gross Domestic Product.

100percent of the respondents believed that distress in the industry will have negative impact on Gross Domestic Product and other sectors of the economy, and that other sectors cannot operate without the banking industry.

100 percent of the respondents believed that with financial strategy as antidote to financial distress in the banking industry, Nigeria will take its position as the bedrock of the national economy, and will have positive effect on Gross Domestic Product.

The five hypotheses tested empirically using MANOVA model, rejected the null forms and revealed the following findings:

Hypothesis 1: The findings of the multivariate tests support the works of Gunsel (2008),Aziz,(2007) and the CBN and NDIC (1995) on the need to institute strategy for saving the banks from collapse. Financial strategy therefore will ensure performance for sustainable growth that will avoid and resolve distress in the very strong banks, strong banks and slightly strong banks.

Hypothesis 2: The findings are consistent with the work of Hamel and Prahalad (2000) and CBN (2004) of transformation of the industry. There is a strong relationship between strategic planning and business failure in the banking industry. By implementing effectively the strategies of tax planning, budgetary control, management training of staff professionally, profitability sustainability and capital growth can the industry avoid business failure and liquidation of institutions..

Hypothesis 3: There is a strong relationship between strategic planning (with the institution of corporate governance) and performance in the banking industry. These variables combined together will produce sustainability and stability of business in the banking industry. This result is consistent with the work of Hopkins and Hopkins(1997),Strickland and Thompson(2005) and other researchers like O'Sullian and CBN (2006) that found out that corporate governance will help to avoid financial scandals, collapse of institutions and maintain good performance.

Hypothesis 4: The findings are enlarged than CBN (2004), Alashi (2002) and other researchers whose findings were limited to insider abuse, dearth of component credit analyst and portfolio mismatch. There is a strong relationship between investment policy and management of assets and liabilities for sustainable performance growth in the banking industry with the institution of good credit appraisal system, effective management of loans and advances, effective management of assets and liabilities, good capital budgetary system, sound liquidity management to avoid portfolio mismatch, good investment appraisal system for assets replacement, adequate operational fixed assets for tax benefits and fund retention and compliance with CBN monetary policy.

Hypothesis 5: Previous studies did not cover this area of importance with the exception of Ekundayo (1996) that outlined the contribution of financial sector to GDP. The findings in this work show that there is a high correlation and co-movement between bank performance and GDP. That resolution to distress in the banking sector will further enhance the relationship, and put the banking sector in its rightful position to impact other sectors positively, and achieve growth in all the sectors of the economy. .

The Secondary data collated from Central Bank of Nigeria and Nigerian Stock Exchange from 1998 to 2007 was tested empirically with the use of Multiple Regression and Growth Change models .The following were the findings:

(a) There is a perfect positive linear relationship between Gross Domestic Product and Bank Performance Indices which are capital, asset, liquidity, profitability, dividend paid and tax paid. That is the interrelationship between Gross Domestic Product and Bank Performance Indices are collinear.

(b) Using Pearson Correlation model, there is a very strong correlation between Gross Domestic Product and Bank Performance Indices with ρ value ranging from .895 and 981 for each of the independent variables while Gross Domestic Product (dependent variable) is 1.

(c) The normal probability plot lie in a reasonable straight diagonal line from the bottom left to the right indicating linear relationship between Gross Domestic Product and Bank Performance.

(d) The scatter plot shows rectangular distribution as scores concentrated in the center along zero point indicating strong relationship between Gross Domestic Product and Bank performance

(e) Analysis of Variance (ANOVA) shows that the F-test is 147.963 at degree of freedom of 6,3 and alpha level of 0.05,while the tabulated critical value is 8.94.This result shows that there is a very strong relationship between Gross Domestic Product and Bank Performance indices and also shows a co-movement between them.

(f) The growth changes in Gross Domestic Product and Bank Performance indices revealed that there is a strong linear relationship and correlation between Gross Domestic Product and bank performance indices, as the changes recorded move in the same direction revealing the co-movement between the two variables. This confirms that should anything happen to the bank performance indices; it will affect the Gross Domestic Product. Any distress in the banking industry will have chain effect on other sectors of the economy which in turn will negatively affect the whole economy and the Gross Domestic Product.

5.2: CONCLUSION

The banking industry in Nigeria has been undergoing serious structural adjustment over the last five years sequel to previous reforms in the country that did not help the situation. This new adjustment and reforms arose from Central Bank of Nigeria (CBN)'s requirements for banks to increase their shareholders fund to a minimum level of N25billion.This triggered off several mergers and acquisitions that have reduced the number of universal banks from 89 to 24 as at 2007. Before the consolidation exercise came into implementation, the banking industry had about 89 active players whose overall performance led to sagging of customers' confidence. There was lingering distress in the industry; the supervisory structures were inadequate, there were crises of official recklessness amongst the managers and the industry was notorious for ethical issues. Most especially poor corporate governance has been identified as one of the major factors in virtually all known instances of bank distress in the country. The post-consolidation happenings in the industry still show that financial distress is yet to be resolved. Between August 2009 and October 2009, eight Managing Directors of distress banks were sacked and replaced in view of their weak corporate governance and other factors that aided the distress. This killer disease in the banking industry can be totally avoided and resolved with the official adoption of financial strategy in this sector of the economy. The operators in the sector must however be totally committed to this transformation model.

5.3: RECOMMENDATIONS

Having therefore carried out a successful survey and analyzed the findings in the work, the following are the recommendations for avoidance and permanent resolution to distress in Nigerian banking industry.

[1] The industry together with each bank should embark on industry transformation by reinventing the banking industry, regenerate strategy and go away from reengineering processes. The transformation can only take the industry out of financial distress with the full implementation of the financial strategy that has been researched and tested. This strategy is referred to ***Transformation Financial Strategy Model***

i.e. Resolution to Distress =***f(***Financial Strategy and ***f***(Performance Growth Indices)

Financial Strategy Indices:

(1) Sound Corporate Governance: Good corporate governance is the set of rules and practices that govern the relationship between the managers and shareholders of the banks as well as other stakeholders. The objective of good corporate governance is to achieve business excellence and enhance shareholder value. Good corporate governance emphasizes the need for transparency, full disclosure, fairness to all stakeholders and effective monitoring of the state of corporate affairs. The Organization for Economic Cooperation and Development (OECD) established the underlining code of corporate governance which each bank should adopt.

i. Ensuring the basis for an effective governance framework, this should promote transparent and efficient markets.

ii. Protect and facilitate the rights of shareholders and key ownership function.

iii. Ensure the equitable treatment of all shareholders.

iv. Recognize the rights of shareholders established either by law or through mutual agreements.

v.Should ensure timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation,performance,ownership and governance of the bank.

vi.The board has the responsibility of ensuring the strategic guidance of the bank,the effective monitoring of the management and the boards accountability to the company and to shareholders. Effective corporate governance is all about the board's performance

The task of governing a corporate entity is the work of board of directors.For effectiveness,the board needs to be made up of the right people,and members who are independent,skilled,knowledegeable,experienced and of diverse perspectives.

(2) Good Investment Policy: This will be a planned line of conduct for all banks in the light of which decisions are made and coordinated to achieve the following:

i.Good credit appraisal to avoid non-performing loans and advances.

ii.Effective management of assets and liabilities to enhance good returns on investment and liquidity availability.

iii.Avoid growing assets more than liabilities so as not to create liquidity problem.

iv.To ensure quality earning assets are created.

v.To ensure good capital budgetary system is in place for effective liquidity management and timely replacement of productive assets.

vi. To ensure adequate fixed assets are bought for operational activities,and enjoy tax benefits in form of capital allowance for equitable payment of tax liability.

vii. To ensure due compliance with Central Bank of Nigeria monetary policy so as to have sound liquidity for expansion and stability of business.

(3)Effective Capital Budgeting System: Capital budgeting is a strategy adopted by an organization whether to buy or lease equipment,whether to stimulate sales or whether to increase the company's asset base,and hence take decisions on capital investment in an organization by determining which specific investment projects the bank should accept, determining the total amount of capital expenditure which the bank should undertake,and determining how this portfolio should be financed. Capital budgeting plans for the acquisition and replacement of longterm expensive items which are called capital assets,like land,building, machinery and equipment. In implementing capital budgeting system,the following must be taken into consideration by the banks.

a.Long life capital projects are expected to benefit the institution for at least two years which is the idea behind capitalizing the cost of the item.

b. The purchase of any long-lived item for which the cost exceeds an organization capitalization amount is considered a capital project,and should consider how to finance them through debenture loan,consotium lending , higher purchase or outright lease.

c. Quickly sunk cost on capital project cannot be recovered. In case of abandoned project,all sunk cost may not be recouped.

d.Capital project have a high degree of business risk because they involve the future,which always entails uncertainty.

In view of all these,the banking institution must estimate the return from projects in future years by identifying possible capital projects by determining relevant cash flows for alternative projects,select a method to measure the alternatives,evaluate the alternatives and select the project or projects to be funded.

(4) Corporate Planning: Corporate planning is a financial strategy technique/game employed by a good management for strenthening the organization's position,pleasing customers,and achieving performance targets.This involves every major and department of the organization. For any organization to succeed,it must combine good strategy making with good strategy execution for company performance to approach maximum potential.

The following tasks need to be put into action by the banking industry for good performance to be recorded:

a.Develop a strategic vision and business mission.

b.Setting objectives for the organization.

c.Crafting a strategy to achieve the objectives.

d.Implementing and executing the strategy

e.Evaluating performance,reviewing need development ,and initiating corrective adjustments.

A to be successful banking institution must always look for the following:

i.Make moves and approaches that defines how key functions and activities are being managed.

ii.make actions to improve short term profitability.

iii.make moves to diversify the bank's revenue base and enter altogether new industries or businesses.

iv.make actions to respond to changing industry conditions-shifting demand patterns,new government regulations,the globalization of competition,exchange rate instability,entry or exit of new competitiors.

v.make offensive moves to strengthen the compay's long-term competitive advantage.

vi.make efforts to broaden/narrow the product line,alter product quality,or modify customer service.

vii.make efforts to alter geographic coverage.

viii.make effort to integrate backward or forward.

ix.Integrate actions to capitalise on new opportunities(need technologists,product innovation,a chance to purchase a rival company,new trade agreements that open up foreign markets)

x.make defensive moves to counter actions of competitors and defend against external threats.

(5) Effective Tax Planning: Tax planning is the taxpayers/a banking institution capacity to arrange his financial activities in such a manner as to suffer a minimum tax liability.Tax planning is the use of foresight and concerns with future matters.Effective tax planning by the banks will lead to obtaing tax credit/benefits and should be designed so as:

a.not to practice tax evasion

b.not to practive tax avoidance.

c.to acquire adequate qualified capital expenditure.

d. to obtain certificate of ownership of qualified capital expenditure from Federal Board of Inland Revenue for the purpose of tax benefits e.compute necessary capital allowances to obtain tax benefits that will reduce tax liability.

f.have cash planning to determine when to pay out tax for effective fund management.

g.compliance with the relevant tax authorities rules,regulations,policies and practices

h.Avoid any reasons for back duty audit through effective tax planning.

6.*Effective Budgetary Control*: Budgetary control is a management techniques,and a financial and quantitative statement,to be prepared and approved prior to a desired period of time of the policy to be pursued for the purpose of attaining given objective .Effective budgetary control will make the banks to:

a. evaluate the performance of revenue centers,cost centers and profit centers for variance analysis,reasons for variances and corretive actions.

b.compare actual results with budgeted to determine if there is a favourable indication or negative indication.

c. direct some of management's attention from the present to the future.

d.enable management to anticipate problems or opportunities in time to deal with them effectively.

f. give managers a continuing reminder of the actions they have decided upon,and to provide a reference point for control purposes.

7.*Economic Profit of investment*:This is a way of computing the economic value of any investment by determining the excess of adjusted earnings over the opportunity cost of the capital involved.Economic value of investment is an incentive system to measure the performance of business units or individual managers,the earnings of the amount of equity capital used by the business units must be identified so that their economic value system can be calculated.The banks need to consider risk-adjusted return on capital(RAROC). Managers must assign the appropriate amount of capital to an investment,and a required contribution to equity must be calculated and incorporated in the price applied to the transaction. In risk-adjusted return on capital system,the required rate on a loan comprises a cost of funds,a charge for non-interest expenses,a premium for credit risk,and a capital charge. The great contribution of the risk-adjusted cost of capital system is to include explicit charges for both the credit risk premium and the use of capital. This will ensure that banks price individual loans/investment to cover credit risk and generate an adequate return to shareholders.

Effective implementation of financial strategy in the banking industry and in each banking institution with responsibility accounting in place will give birth to Performance for sustainable growth. When there is sustainability of performance and growth, stability will manifest in the industry.

[2] The banks need to institute effective risk asset management system in their operations. The regulatory authorities need to make it as part of their regulatory policy and ensure enforcement, because the dearth of credit analyst has been one of the major problems in the industry. Emphasis should be placed on sound training of credit analyst and administrators both locally and in advanced countries with good banking history like USA, United Kingdom, Spain and Japan. This is to solve the problems of poor credit appraisal, poor documentation on credits and collaterals, mismatch of credit portfolio and overtrading

[3] The industry supervisors (The Central Bank of Nigeria and Nigeria Deposit Insurance Corporation) need to transform their supervision to a quality one through the state of the art technology where all banks will be linked directly to the supervision units of the authorities. This will guarantee transparency, full and accurate disclosure of information. It will also guarantee zero tolerance for early rendition of report.

[4] Good surveillance of the operations and knowledge of the operations of each bank will help to determine when to shore up their capital base. Many economic factors should be put into consideration in determining the capital base viz:

i. The capital base of benchmarked foreign banks in the industrialized countries

ii. The level of inflation within Nigerian economy.

iii. The growth rate achieved by the banks within a time frame. For example, if an average bank with N25billion capital is recording annual turnover of N20billiion, and within the time frame the turnover is enhanced to N30billion turnover with a growth in inflation rate by 5%.The regulatory authorities need to decide on the need to inject more capital into the operations of such bank by taking into consideration the growth indices to determine the level of capital requirement .viz

Percentage growth in turnover x percentage Growth in inflation x initial capital =capital requirement.

From the case above, the new capital requirement will be

10/20 X 5% x N25billion

50% x 5% x N25billion =N38.75billion.

Central Bank of Nigeria and NDIC can decide the need to increase the equity capital of each bank from time to time to avoid distress.

[5] The regulatory authorities should ensure stable policy and regulatory environment. Any impending change in policy and regulations should be made known to the operators in advance for necessary adjustment and preparation before the implementation.

[6] All banks in the economy should be quoted in Nigeria Stock Exchange to diversify the ownership structure against some present situation in the economy where ownership is built around one personality at the risk of investors and depositors money. Appointments to the board of the banks should be made to people of clean records and of good business reputation.

[7] Mergers and Acquisitions should be introduced as a saving option where it is obvious that the business environment has expanded more than one bank can continue to operate without any financial limitation. This option will bring in technological innovations, reduction in cost, and growth opportunities. The active banks are larger with higher proportion of income generated services that will motivate the customers of the selling banks. It will increase the value of the passive banks.

[8] Enabling laws that will service as deterrent for bank loan defaulters should be passed by the federal law makers (Senate and Federal House of representatives),where ownership of the collaterals pledged as securities for loans and advances, should be transferred to the bank immediately after notice to repay has expired. This will destroy the present situation where loan defaulters hide behind loose laws, obtain court injunction against foreclosure of collaterals, and still fail to pay the debts.

[9] The power of Economic and Financial Crime Commission (EFCC) should be strengthened to arrest, detain, recover and publish the names of bank debtors that default in their obligations to the banks.

5.5:SUGGESTIONS FOR FURTHER STUDIES.

In view of the fact that the Nigerian banking industry will continue to be the bedrock of the nation,the following research areas were discovered for further research work:

1.Banking regulators superroles and distress in the financial system:Accounting reporting standards perspective.

2.Products pricing policy in the banking industry:How efficient to stability and Sustainability of business?

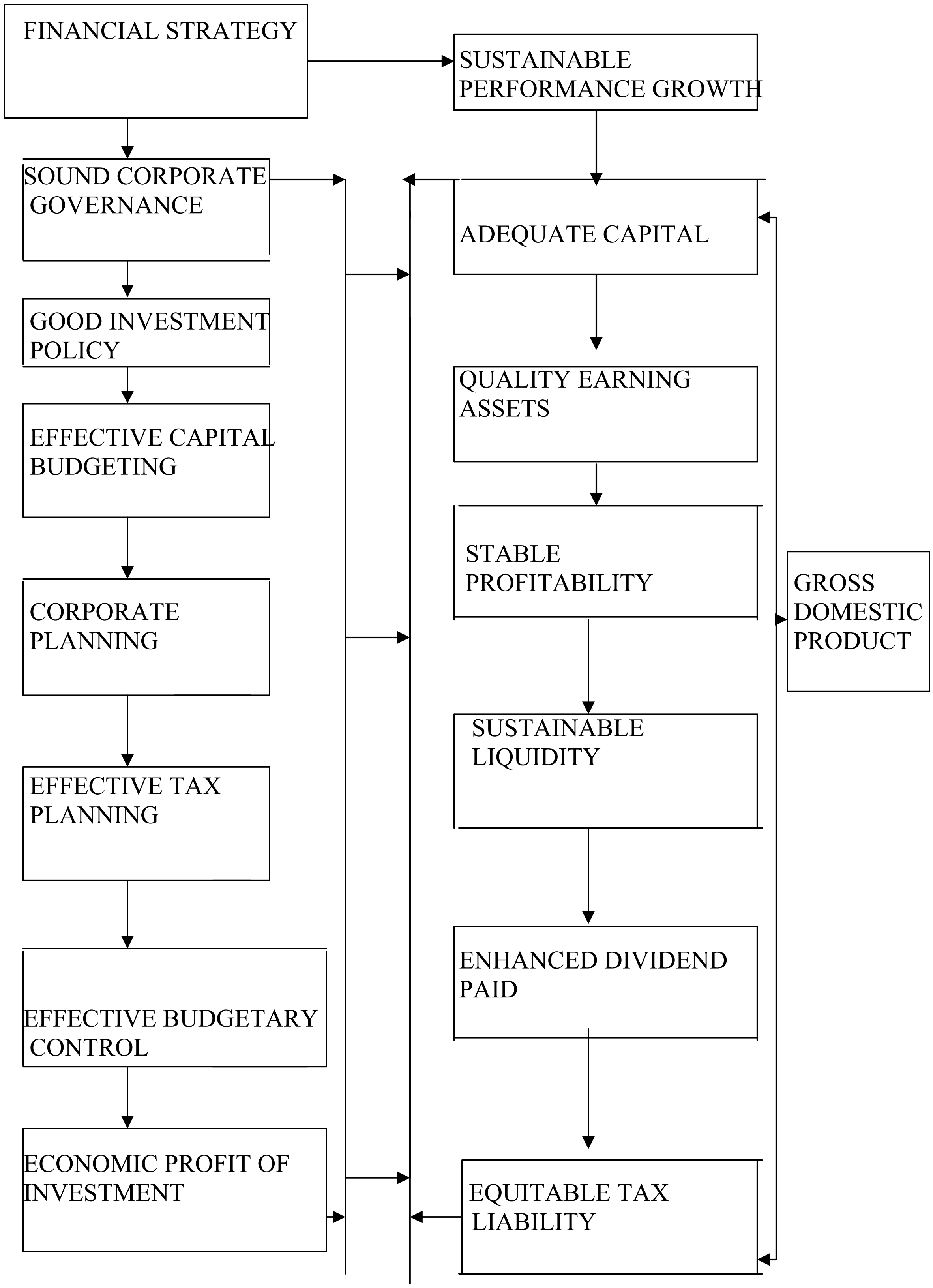
3.The risk inherent in business decision taken and investors objectives of profit maximization in the banking industry.

5.6: CONTRIBUTION TO KNOWLEDGE: The work that is empirical and descriptive went deep into the background of banking and distress from the inception of the industry in Nigeria. The study provides detailed analysis of the reasons for financial distress in the industry, which has remained a phenomenon in Nigeria, and has led to the liquidation of banks and loss of investments. The study has propounded a transformation model "TRANFORMATION FINANCIAL STRATEGY MODEL FOR DISTRESS RESOLUTION IN NIGERIAN BANKING INDUSTRY"

Other recommendations in this work are sequel to all the findings in this work. The commitment of the regulators and operators to this model and other recommendations will bring positive transformation to the banking industry in Nigeria. Financial strategies have been discovered through this work which, with full implementation and commitment by various operators will take the Nigerian banking industry to viable one that will help it to maintain performance for sustainable growth, and takes its position as the bedrock of the nation.

The transformation model is as drawn below and the mathematical representations/surrogates follow the flow of the model.

TRANSFORMATION FINANCIAL STRATEGY MODEL FOR DISTRESS RESOLUTION AND AVOIDANCE IN NIGERIAN BANKING INDUSTRY.



Interpretation of the Model

Having tested all the variables empirically, it has been proved that:

(i)Sustainable Performance Growth *f* (Financial Strategy) and the variables that will give birth to sustainable performance growth are good corporate governance, good investment policy, good capital budgeting, corporate planning, effective tax planning, effective budgetary control and economic profit of investment. All these variables must be in full capacity utilization by ensuring all are implemented in every banking institution in the industry in order to produce the desired results. Any deficient in any of the variables will have negative impact on the results which is what the model is guiding against. With full implementation of the strategies, it will produce results that will bring sustainable performance that will guarantee growth and stability. This will bring financial distress to become history in the banking industry.

(ii) Gross Domestic Product *f* (Sustainable Performance Growth), and the variables that measure performance are adequate capital, quality earning assets, liquidity, stable profits, enhanced dividend and equitable tax paid. From the findings of the research, there is a co-movement between bank performance and Gross Domestic Product (GDP). The standard way to measure the performance and growth of the banking industry is through its contribution to the nation's Gross Domestic Product.

(iii) The financial strategy will produce sustainable performance growth which will positively affect the GDP through the industry contribution. When performance growth is maintained, distress will be eliminated and the industry will take its position as the bedrock of Nigerian economy.

MATHEMATICAL REPRESENTATIVES/SURROGATES OF THE MODEL;

FS=F (CG, IP, CB, CP, TP, BC, EPI)

These variables were tested using multivariate analysis of variance.

Where:

FS=Financial Strategy

CP=Corporate Governance

CB=Capital Budgeting

CP=Corporate Planning

TP=Tax Planning

BC=Budgetary Control

EPI=Economic profit of Investment.

Each variable with a mean of above 2.5 on 5point likert scale and below one scale standard deviation will have a linear working relationship that will produce measurable sustainable performance growth.

Therefore:

SPG=F(AC,QEA,SP,SL,ED,ET).

Where:

SPG= Sustainable Performance Growth

AC=Adequate Capital

QEA=Quality Earning Assets

SP= Stable Profitability

SL=Sustainable Liquidity

ED=Enhanced Dividend

ET=Equitable Tax

A linear transformation of this will lead to the following equation.

$SPG=\&_0 +\&_1AC+\&_2QEA+\&_3SP+\&_4SL+\&_5ED+\&_6ET+e$

Where:

$\&_1>0$, $\&_2>0$, $\&_3>0$, $\&_4>0$, $\&_5>0$, $\&_6>0$

$\&_1$= Perfect Correlation

$\&_2$= Perfect Correlation

$\&_3$=Perfect Correlation

$\&_4$=Perfect Correlation

$\&_5$=Perfect Correlation

$\&_6$=Perfect Correlation

SPG=(.982AC +.963QEA+.919SP+.981SL+.895ED+.932ET

Therefore:

Resolution to Distress=*f (*Financial Strategy) and *f* (Sustainable Performance Growth)

NOTE: In this model, because of the linear relationship and homogeneity of all the variables that constitute the financial strategy, they must be fully utilized to produce sustainable performance growth. Low return on any of the sustainable performance growth indices will have negative effect on others. There must be perfect correlation of all the variables to enhance growth and sustainability.

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APPENDIX 1

LIQUIDATED DISTRESSED INDIGENOUS BANKS IN COLONIAL ERA

NO	NAME	YEAR FOUNDED	YEAR OF CRASH.
1	The industrial and commercial bank	1929	1930
2	The Nigerian Mercantile bank	1931	1936
3	The Nigerian Penny bank	n.a	1946
4	The Nigerian Farmers &Commercial bank	1947	1953
5	Merchants bank	1952	1960
6	Pan Nigeria bank	1951	1954
7	Standard bank of Nigeria	1951	1954
8	Premier bank	1951	1954
9	Nigerian Trust bank	1951	1954
10	Afroseas credit bank	1951	1954
11	Onward bank of Nigeria	1951	1954
12	Central bank of Nigeria (not CBN)	1951	1954
13	Provincial bank of Nigeria	1952	1954
14	Metropolitan bank of Nigeria	1952	1954
15	Union bank of British Africa	1952	1954
16	United Commercial (credit) bank	1952	1954
17	Cosmopolitan credit bank	1952	1954
18	Mainland bank	1952	1954
19	Group credit &Agricultural bank	1952	1954
20	Industrial bank	1952	1954
21	West African bank	1952	1954
22	Muslim bank	1958	n.a

SOURCE: Compiled from Richard Fry; Bankers in West Africa, London, 1976; CBN Economic and Financial Review, June 1968 (as cited by Onoh 2002 pp.12-13).

APPENDIX 2

LIST OF LIQUIDATED DISTRESSED BANKS BETWEEN 1992 AND 1998.

1992:1.African Continental Bank Limited.

2. National Bank of Nigeria Limited.

3. New Nigeria Bank Limited.

1994:1.Kapital Merchant Bank Limited

2. Financial Merchant Bank Limited.

3. Alpha Merchant Bank Limited.

4. United Commercial Bank Limited.

1998:1.Allied Bank of Nigeria plc.

2. Amicable Bank of Nigeria limited.

3. Commerce Bank ltd.

4. Commercial trust Bank limited.

5. Cooperative and Commerce Bank limited.

6. Credite Bank limited.

7. Highland Bank of Nigeria Plc.

8. Lobi Bank of Nigeria limited.

9. Mercantile Bank of Nigeria Plc.

10. North-South Bank Nigeria plc.

11. Pan African limited.

12. Pinnacle Commercial Bank limited.

13. Progress Bank of Nigeria Plc.

14. Abacus Merchant Bank limited.

15. ABC Merchant Bank limited.
16. Century Merchant Bank limited.
17. Continental Merchant Bank Plc.
18. Crown Merchant Bank limited.
19. Great Merchant Bank limited.
20. Group Merchant Bank limited.
21. ICON Limited (Merchant Bankers).
22. Merchant Bank of Africa limited.
23. Nigeria Merchant Bank Plc.
24. Prime Merchant Bank limited.
25. Royal Merchant Bank limited.
26. Victory Merchant Bank limited.

Source:CBN,1998

APPENDIX 3

LIST OF DISTRESSED BANKS WHOSE LICENCES WERE REVOKED IN 2005

1. African Express Bank Plc
2. Allstates Trust Bank Plc.
3. Assurance Bank Nigeria ltd.
4. City Express Bank Plc.
5. Eagle Bank limited.
6. Fortune International Bank Plc.
7. Gulf Bank of Nigeria Plc.
8. Hallmark Bank Plc

9. Lead Bank Plc.

10. Liberty Bank Plc.

11. Metropolitan Bank ltd.

12. Societe Generale Bank ltd.

13 Trade Bank Plc.

14. Triumph Bank Plc

Source: CBN Publications, Guardian, Tuesday, January10, 2006

DESCRIPTIVE ANALYSIS OF RESPONSE TO QUESTIONNAIRE ITEMS

APPENDIX 4 [PRIMARY DATA ANALYSIS]
Evaluating the Relationship between Financial Strategy and Sustainable Performance Growth in the Banking Industry.

	MEAN	SD	SA	A	DA	SDA	D
[1] Financial strategy provides a central purpose and direction to the activities of the organization, to the staff, and to the world which will positively Impact the performance of the organization.	4.6786	.4756	67.9%	32.1%	0%	0%	0%
[2] Financial strategy does not correlate with the Business of banking, and hence should not be taken Into consideration in policy formulation.	2.2500	.4410	0%	0%	25%	75%	0%
[3] Financial Strategy strongly supports performance Growth and its proper understanding and Implementation leads to sustainable business growth.	4.7500	.4410	75%	25%	0%	0%	0%
[4] The financial distress and liquidation of banking Institutions in Nigerian economy is as a result of Non-availability of or poor implementation of Financial strategy.	4.1786	.7228	32.2%	57.1%	7.1%	3.6%	0%
[5] Periodical review of performance, applicability of Responsibility accounting system and instant Remedial action support performance growth.	4.8214	.3900	82%	17.9%	0%	0%	0%

Source: Field Survey 2010

APPENDIX 5 Evaluating the Relationship between Strategic Planning and Business Close Down/Liquidation

	MEAN	SD	SA	A	DA	SDA	UD
[6] Financial distress and banking institutions Liquidation in Nigerian banking industry can not be Attributed to poor strategic planning in those banks affected.	2.6071	.5669	0%	3.6%	53.6%	42.8%	0%
[7] Poor tax planning and non-compliance with tax laws can lead to large cash outflow when paying the tax liability, and penal charge for non-compliance with tax laws and regulations.	4.3571	.9512	53.6%	39.3%	0%	3.6%	3.6%
[8] Effective budgetary control in the bank enhances Profitability and liquidity growth	4.7143	.4600	71.4%	29.6%	0%	0%	0%
[9] The type of leadership in a banking institution does not have any relationship with the performance and business growth.	2.1785	.4756	0%	3.6%	10.7%	85.7%	0%
[10] Management training of staff professionally on the job focuses them on achieving the main objectives of the organization for wealth maximization of investors and value maximization of the company.	4.7143	.4600	71.4%	28.6%	0%	0%	0%
[11] The lack of technical ability and managerial skills of the staff in performing their functions have been a Major cause of financial distress in the banking Industry.	3.6071	1.0306	17.9%	42.8%	25%	10.7%	3.6%
[12] Profitability as a strong variable for growth will have positive impact on capital growth, liquidity growth and performance growth, while lack of it will negate the objectives of the business for growth.	4.6786	.4756	67.9%	32.1%	0%	0%	0%
[13] Even if the management of the liquidated banks in the banking industry in Nigeria had embarked on Corporate planning, the banks would still face the Problem of financial distress.	2.4286	.9974	3.6%	7.1%	35.7%	35.7%	17.9%
[14] Capital growth is not a considerable factor for Business expansion, hence periodic profit after tax Can be fully appropriated as dividend to shareholders.	2.3571	.6215	0%	7.1%	21.4%	71.4%	0%

Source: Field Survey, 2010

APPENDIX 6

Examination of the Relationship between Strategic Planning and Performance for Business Sustainability and Stability in the banking industry.

Table 4.44	MEAN	SD	SA	A	DA	SDA	UD
[15] Good corporate governance is a determinant Factor for corporate existence to ensure increased Capital, liquidity, profitability and efficiency in Resources management, absence of which will bring collapse of business in the organization.	4.6429	.4880	64.3%	35.7%	0%	0%	0%
[16] There is no relationship between corporate Governance and financial reporting as stakeholders in the business are not concerned about who leads and manage the organization.	2.2857	.5345	0%	3.6%	21.4%	75%	0%
[17] Poor Corporate governance can result into Downturn in business, distress and effectual liquidation of the business	4.6071	.5669	64.3%	32.1%	3.6%	0%	0%
[18] The sustainable growth in the business of a banking institution can not be determined by the type of corporate governance in operation.	2.5714	.6341	0%	3.6%	53.6%	39.3%	3.6 %
[19] Boardroom upheavals and crisis in the banking Institutions have very strong negative impact on Customers patronage and expansion of business, and this can be attributed as one of the major causes of financial distress in the banking industry.	4.4643	.6929	53.6%	42.9%	0%	3.6%	0%
[20] The shareholders lost of their investments and depositors lost of their deposits in the liquidated banks can not be attributed to poor corporate governance.	2.6071	.8751	3.6%	10.7%	32.1%	50.0%	3.6 %
[21] Consistence in the constitution of the Board of Directors and knowledge of the operating environment by the directors motivate the growth and expansion of Business. Source: Field Survey 2010	4.7500	.4410	75.0%	25%	0%	0%	0%

APPENDIX 7

Assessment of the Relationship between Investment Policy and Management of Assets and Liabilities for Performance Sustainable Growth in the Banking Industry.

	M EAN	SD	SA	A	D	SD	UD
[22] Large amount of non-performing loans and advances in the banking industry can be attributed to the unrealizable nature of the securities and not on the management of these advances.	2.8214	.6118	0%	10.7%	60.7%	28.6%	0%
[23] There is a strong relationship between good Investment policy and effective management of Assets and liabilities as they enhance returns on investment and liquidity availability.	4.6429	.7310	75.0%	17.9%	3.6%	3.6%	0%
[24] A facility approved for a bank customer can become unrealizable immediately after disbursement due to the appraisal system.	4.2143	.9567	42.9%	46.4%	3.6%	3.6%	3.6 %
[25] Growing assets more than liabilities do not create liquidity problem in the banking operations and can not lead to financial distress.	2.5357	.5762	0%	3.6%	46.%	50%	0%
[26] A good capital budgetary system is a necessity for liquidity management and timely replacement of productive assets.	4.6420	.4880	64.3%	35.7%	0%	0%	0%
[27] The institution and implementation of good Investment appraisal system in the banking industry will help to determine when to shore up the capital Base in relation to business activities and its growth..	4.4285	.6341	50%	42.9%	7.1%	0%	0%
[28] Using depositors' money to buy assets for Operational activities is a bad investment policy, which can lead to financial distress	4.2857	1.1501	60.7%	25%	0%	10.7%	3.6 %
[29] It is a good investment policy for a bank to buy adequate fixed assets for operational Activities in order to enjoy tax benefits for reduction In tax liability and retention of liquid fund.	3.8571	.8483	14.3%	67.9%	10.7%	3.6%	3.6 %
[30] Compliance with Central Bank of Nigeria Monetary policy by banks on liquidity ratio can be a factor for resolving distress otherwise distress will Continue to be a terminal disease in the banking Industry in the absence of liquidity.	4.3571	.8262	46.4%	50%	0%	0%	3.6 %

Source: Field Survey,2010

APPENDIX 8 Evaluation of the Relationship between Bank Performance and Gross Domestic Product (GDP) to determine their co-movement.

	MEAN	STD	SA	A	DA	SDA	UD
[31]There is a co-movement and constant relationship between bank performance and Gross Domestic Product (GDP).	4.0714	1.0516	39.3%	42.9%	7.1%	7.1%	3 .6 %
[32] Any change in economic performance indices like inflation, rate of exchange, interest rate, disposable Income and purchasing power will affect the Performance of banks, and Gross Domestic Product (GDP)	4.5357	.5079	53.6%	46.4%	0%	0%	0%
[33] The distress in the banking industry will not have effect on the Gross Domestic Product (GDP) as other sectors of the economy can still operate without the banking industry.	2.2857	.4600	0%	0%	28.6%	71.4%	0%
[34] If financial strategy can serve as antidote to Financial distress in the banking industry and the Industry takes its position as the bedrock of the National economy, it will have positive effect on the Gross Domestic Product (GDP)	4.5000	.5092	50%	50%	0%	0%	0%
[35]Financial distress is a killer disease in the banking industry, which if not checked will negatively affect Gross Domestic Product, and the position of Nigeria in the international community vis-à-vis. Globalization. Source: Field Survey, 2010	4.6071	.4973	60.7%	39.3%	0%	0%	0%

APPENDIX 9: STATISTICS FOR TESTING HYPHOTHESIS 1

Between-Subjects Factors

		Value Label	N
TYPBANK	1.00	slightly strong	13
	2.00	strong	6
	3.00	very strong	9

Descriptive Statistics

	TYPBANK	Mean	Std. Deviation	N
CENPUR	slightly strong	4.5385	.5189	13
	strong	4.8333	.4082	6
	very strong	4.7778	.4410	9
	Total	4.6786	.4756	28
CORREL	slightly strong	2.2308	.4385	13
	strong	2.0000	.0000	6
	very strong	2.4444	.5270	9
	Total	2.2500	.4410	28
PERFGROW	slightly strong	4.6154	.5064	13
	strong	5.0000	.0000	6
	very strong	4.7778	.4410	9
	Total	4.7500	.4410	28
IMPLEMEN	slightly strong	4.0000	.8165	13
	strong	4.1667	.7528	6
	very strong	4.4444	.5270	9
	Total	4.1786	.7228	28
RESPACTY	slightly strong	4.7692	.4385	13
	strong	5.0000	.0000	6
	very strong	4.7778	.4410	9
	Total	4.8214	.3900	28

Multivariate Tests

Effect		Value	F	Hypothesis df	Error df	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Intercept	Pillai's Trace	.997	1462.609	5.000	21.000	.000	.997	7313.043	1.000
	Wilks' Lambda	.003	1462.609	5.000	21.000	.000	.997	7313.043	1.000
	Hotelling's Trace	348.240	1462.609	5.000	21.000	.000	.997	7313.043	1.000
	Roy's Largest	348.240	1462.609	5.000	21.000	.000	.997	7313.043	1.000

	Root								
TYPBANK	Pillai's Trace	.316	.825	10.000	44.000	.607	.158	8.253	.368
	Wilks' Lambda	.708	.793	10.000	42.000	.635	.159	7.932	.350
	Hotelling's Trace	.380	.761	10.000	40.000	.665	.160	7.607	.332
	Roy's Largest Root	.246	1.082	5.000	22.000	.398	.197	5.409	.311

a Computed using alpha = .05
b Exact statistic
c The statistic is an upper bound on F that yields a lower bound on the significance level.
d Design: Intercept+TYPBANK

Levene's Test of Equality of Error Variances

	F	df1	df2	Sig.
CENPUR	3.429	2	25	.048
CORREL	16.186	2	25	.000
PERFGROW	17.913	2	25	.000
IMPLEMEN	.073	2	25	.930
RESPACTY	6.330	2	25	.006

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+TYPBANK

Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Corrected Model	CENPUR	.487	2	.244	1.084	.354	.080	2.169	.218
	CORREL	.720	2	.360	1.987	.158	.137	3.974	.371
	PERFGROW	.618	2	.309	1.666	.209	.118	3.333	.317
	IMPLEMEN	1.052	2	.526	1.007	.380	.075	2.014	.205
	RESPACTY	.244	2	.122	.789	.465	.059	1.578	.169
Intercept	CENPUR	564.449	1	564.449	2511.045	.000	.990	2511.045	1.000
	CORREL	125.623	1	125.623	693.295	.000	.965	693.295	1.000
	PERFGROW	584.050	1	584.050	3151.932	.000	.992	3151.932	1.000
	IMPLEMEN	448.378	1	448.378	858.597	.000	.972	858.597	1.000
	RESPACTY	596.603	1	596.603	3860.758	.000	.994	3860.758	1.000
TYPBANK	CENPUR	.487	2	.244	1.084	.354	.080	2.169	.218
	CORREL	.720	2	.360	1.987	.158	.137	3.974	.371
	PERFGROW	.618	2	.309	1.666	.209	.118	3.333	.317

	IMPLEMEN	1.052	2	.526	1.007	.380	.075	2.014	.205
	RESPACTY	.244	2	.122	.789	.465	.059	1.578	.169
Error	CENPUR	5.620	25	.225					
	CORREL	4.530	25	.181					
	PERFGROW	4.632	25	.185					
	IMPLEMEN	13.056	25	.522					
	RESPACTY	3.863	25	.155					
Total	CENPUR	619.000	28						
	CORREL	147.000	28						
	PERFGROW	637.000	28						
	IMPLEMEN	503.000	28						
	RESPACTY	655.000	28						
Corrected Total	CENPUR	6.107	27						
	CORREL	5.250	27						
	PERFGROW	5.250	27						
	IMPLEMEN	14.107	27						
	RESPACTY	4.107	27						

a Computed using alpha = .05
b R Squared = .080 (Adjusted R Squared = .006)
c R Squared = .137 (Adjusted R Squared = .068)
d R Squared = .118 (Adjusted R Squared = .047)
e R Squared = .075 (Adjusted R Squared = .001)
f R Squared = .059 (Adjusted R Squared = -.016)

Estimated Marginal Means

TYPBANK

Dependent Variable	TYPBANK	Mean	Std. Error	95% Confidence Interval Lower Bound	Upper Bound
CENPUR	slightly strong	4.538	.131	4.268	4.809
	strong	4.833	.194	4.435	5.232
	very strong	4.778	.158	4.452	5.103
CORREL	slightly strong	2.231	.118	1.988	2.474
	strong	2.000	.174	1.642	2.358
	very strong	2.444	.142	2.152	2.737
PERFGROW	slightly strong	4.615	.119	4.369	4.861

	strong	5.000	.176	4.638	5.362
	very strong	4.778	.143	4.482	5.073
IMPLEMEN	slightly strong	4.000	.200	3.587	4.413
	strong	4.167	.295	3.559	4.774
	very strong	4.444	.241	3.948	4.941
RESPACTY	slightly strong	4.769	.109	4.545	4.994
	strong	5.000	.160	4.669	5.331
	very strong	4.778	.131	4.508	5.048

APPENDIX10: STATISTICS FOR TESTING HUPHOTHESIS 2.

Between-Subjects Factors

		Value Label	N
TYPBANK	1.00	slightly strong	13
	2.00	strong	6
	3.00	very strong	9

Descriptive Statistics

	TYPBANK	Mean	Std. Deviation	N
TAXPLANN	slightly strong	4.3077	.8549	13
	strong	4.5000	.5477	6
	very strong	4.3333	1.3229	9
	Total	4.3571	.9512	28
BUDGCON	slightly strong	4.6923	.4804	13
	strong	4.8333	.4082	6
	very strong	4.6667	.5000	9
	Total	4.7143	.4600	28
TRAINING	slightly strong	4.7692	.4385	13
	strong	4.6667	.5164	6
	very strong	4.6667	.5000	9
	Total	4.7143	.4600	28
PROFITAB	slightly strong	4.6923	.4804	13
	strong	4.5000	.5477	6
	very strong	4.7778	.4410	9
	Total	4.6786	.4756	28
CAPGROTH	slightly strong	2.6923	.7511	13
	strong	2.1667	.4082	6
	very strong	2.0000	.0000	9
	Total	2.3571	.6215	28

Multivariate Tests

Effect		Value	F	Hypothesis df	Error df	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Intercept	Pillai's Trace	.996	957.487	5.000	21.000	.000	.996	4787.436	1.000
	Wilks' Lambda	.004	957.487	5.000	21.000	.000	.996	4787.436	1.000
	Hotelling's Trace	227.973	957.487	5.000	21.000	.000	.996	4787.436	1.000
	Roy's Largest Root	227.973	957.487	5.000	21.000	.000	.996	4787.436	1.000
TYPBANK	Pillai's Trace	.431	1.210	10.000	44.000	.311	.216	12.101	.541
	Wilks' Lambda	.605	1.199	10.000	42.000	.319	.222	11.989	.532
	Hotelling's Trace	.592	1.184	10.000	40.000	.330	.228	11.839	.520
	Roy's Largest Root	.461	2.028	5.000	22.000	.114	.315	10.138	.562

a Computed using alpha = .05
b Exact statistic
c The statistic is an upper bound on F that yields a lower bound on the significance level.
d Design: Intercept+TYPBANK

Levene's Test of Equality of Error Variances

	F	df1	df2	Sig.
TAXPLANN	.732	2	25	.491
BUDGCON	1.449	2	25	.254
TRAINING	.670	2	25	.521
PROFITAB	1.238	2	25	.307
CAPGROTH	15.152	2	25	.000

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+TYPBANK

Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Corrected Model	TAXPLANN	.159	2	7.967E-02	.082	.921	.007	.164	.061
	BUDGCON	.112	2	5.586E-02	.249	.781	.020	.499	.085
	TRAINING	7.326E-02	2	3.663E-02	.162	.851	.013	.325	.072
	PROFITAB	.282	2	.141	.606	.553	.046	1.212	.140
	CAPGROTH	2.826	2	1.413	4.646	.019	.271	9.293	.730
Intercept	TAXPLANN	486.851	1	486.851	501.511	.000	.953	501.511	1.000

	BUDGCON	567.863	1	567.863	2533.944	.000	.990	2533.944	1.000
	TRAINING	560.704	1	560.704	2484.940	.000	.990	2484.940	1.000
	PROFITAB	550.219	1	550.219	2361.543	.000	.990	2361.543	1.000
	CAPGROTH	132.634	1	132.634	436.150	.000	.946	436.150	1.000
TYPBANK	TAXPLANN	.159	2	7.967E-02	.082	.921	.007	.164	.061
	BUDGCON	.112	2	5.586E-02	.249	.781	.020	.499	.085
	TRAINING	7.326E-02	2	3.663E-02	.162	.851	.013	.325	.072
	PROFITAB	.282	2	.141	.606	.553	.046	1.212	.140
	CAPGROTH	2.826	2	1.413	4.646	.019	.271	9.293	.730
Error	TAXPLANN	24.269	25	.971					
	BUDGCON	5.603	25	.224					
	TRAINING	5.641	25	.226					
	PROFITAB	5.825	25	.233					
	CAPGROTH	7.603	25	.304					
Total	TAXPLANN	556.000	28						
	BUDGCON	628.000	28						
	TRAINING	628.000	28						
	PROFITAB	619.000	28						
	CAPGROTH	166.000	28						
Corrected Total	TAXPLANN	24.429	27						
	BUDGCON	5.714	27						
	TRAINING	5.714	27						
	PROFITAB	6.107	27						
	CAPGROTH	10.429	27						

a Computed using alpha = .05
b R Squared = .007 (Adjusted R Squared = -.073)
c R Squared = .020 (Adjusted R Squared = -.059)
d R Squared = .013 (Adjusted R Squared = -.066)
e R Squared = .046 (Adjusted R Squared = -.030)
f R Squared = .271 (Adjusted R Squared = .213)

Estimated Marginal Means

TYPBANK

		Mean	Std. Error	95%

Dependent Variable	TYPBANK			Confidence Interval Lower Bound	Upper Bound
TAXPLANN	slightly strong	4.308	.273	3.745	4.870
	strong	4.500	.402	3.672	5.328
	very strong	4.333	.328	3.657	5.010
BUDGCON	slightly strong	4.692	.131	4.422	4.963
	strong	4.833	.193	4.435	5.231
	very strong	4.667	.158	4.342	4.992
TRAINING	slightly strong	4.769	.132	4.498	5.041
	strong	4.667	.194	4.267	5.066
	very strong	4.667	.158	4.341	4.993
PROFITAB	slightly strong	4.692	.134	4.417	4.968
	strong	4.500	.197	4.094	4.906
	very strong	4.778	.161	4.446	5.109
CAPGROTH	slightly strong	2.692	.153	2.377	3.007
	strong	2.167	.225	1.703	2.630
	very strong	2.000	.184	1.621	2.379

APPENDIX 11: STATISTICS FOR TESTING HYPHOTHRSIS 3

Between-Subjects Factors

		Value Label	N
TYPBANK	1.00	slightly strong	13
	2.00	strong	6
	3.00	very strong	9

Descriptive Statistics

	TYPBANK	Mean	Std. Deviation	N
CORPGOV	slightly strong	4.7692	.4385	13
	strong	4.5000	.5477	6
	very strong	4.5556	.5270	9
	Total	4.6429	.4880	28
CGRESULT	slightly strong	4.6154	.6504	13
	strong	4.8333	.4082	6
	very strong	4.4444	.5270	9
	Total	4.6071	.5669	28
BOARDUPH	slightly strong	4.4615	.8771	13
	strong	4.5000	.5477	6
	very strong	4.4444	.5270	9
	Total	4.4643	.6929	28

SGDETERM	slightly strong	2.4615	.6602	13
	strong	2.6667	.5164	6
	very strong	2.6667	.7071	9
	Total	2.5714	.6341	28
CGRELATI	slightly strong	2.1538	.3755	13
	strong	2.1667	.4082	6
	very strong	2.5556	.7265	9
	Total	2.2857	.5345	28
LOSTINVD	slightly strong	2.7692	1.0127	13
	strong	2.6667	.8165	6
	very strong	2.3333	.7071	9
	Total	2.6071	.8751	28
BDCONSIT	slightly strong	4.7692	.4385	13
	strong	4.6667	.5164	6
	very strong	4.7778	.4410	9
	Total	4.7500	.4410	28

Multivariate Tests

Effect		Value	F	Hypothesis df	Error df	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Intercept	Pillai's Trace	.998	1158.101	7.000	19.000	.000	.998	8106.706	1.000
	Wilks' Lambda	.002	1158.101	7.000	19.000	.000	.998	8106.706	1.000
	Hotelling's Trace	426.669	1158.101	7.000	19.000	.000	.998	8106.706	1.000
	Roy's Largest Root	426.669	1158.101	7.000	19.000	.000	.998	8106.706	1.000
TYPBANK	Pillai's Trace	.307	.517	14.000	40.000	.909	.153	7.241	.256
	Wilks' Lambda	.717	.491	14.000	38.000	.924	.153	6.879	.240
	Hotelling's Trace	.362	.466	14.000	36.000	.937	.153	6.518	.224
	Roy's Largest Root	.189	.539	7.000	20.000	.795	.159	3.770	.179

a Computed using alpha = .05
b Exact statistic
c The statistic is an upper bound on F that yields a lower bound on the significance level.
d Design: Intercept+TYPBANK

Levene's Test of Equality of Error Variances

	F	df1	df2	Sig.
CORPGOV	2.497	2	25	.103

CGRESULT	1.937	2	25	.165
BOARDUPH	.680	2	25	.516
SGDETERM	.637	2	25	.537
CGRELATI	4.783	2	25	.017
LOSTINVD	.807	2	25	.458
BDCONSIT	.399	2	25	.675

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+TYPBANK

Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Corrected Model	CORPGOV	.399	2	.199	.826	.449	.062	1.653	.175
	CGRESULT	.546	2	.273	.839	.444	.063	1.679	.177
	BOARDUPH	1.129E-02	2	5.647E-03	.011	.989	.001	.022	.051
	SGDETERM	.293	2	.147	.347	.710	.027	.693	.099
	CGRELATI	.966	2	.483	1.790	.188	.125	3.580	.338
	LOSTINVD	1.038	2	.519	.660	.525	.050	1.321	.148
	BDCONSIT	5.342E-02	2	2.671E-02	.128	.880	.010	.257	.068
Intercept	CORPGOV	538.834	1	538.834	2234.002	.000	.989	2234.002	1.000
	CGRESULT	544.177	1	544.177	1672.850	.000	.985	1672.850	1.000
	BOARDUPH	506.682	1	506.682	977.924	.000	.975	977.924	1.000
	SGDETERM	171.299	1	171.299	405.381	.000	.942	405.381	1.000
	CGRELATI	133.296	1	133.296	493.846	.000	.952	493.846	1.000
	LOSTINVD	170.174	1	170.174	216.606	.000	.897	216.606	1.000
	BDCONSIT	569.575	1	569.575	2740.140	.000	.991	2740.140	1.000
TYPBANK	CORPGOV	.399	2	.199	.826	.449	.062	1.653	.175
	CGRESULT	.546	2	.273	.839	.444	.063	1.679	.177
	BOARDUP	1.129E-02	2	5.647E-03	.011	.989	.001	.022	.051

	H								
	SGDETERM	.293	2	.147	.347	.710	.027	.693	.099
	CGRELATI	.966	2	.483	1.790	.188	.125	3.580	.338
	LOSTINVD	1.038	2	.519	.660	.525	.050	1.321	.148
	BDCONSIT	5.342E-02	2	2.671E-02	.128	.880	.010	.257	.068
Error	CORPGOV	6.030	25	.241					
	CGRESULT	8.132	25	.325					
	BOARDUPH	12.953	25	.518					
	SGDETERM	10.564	25	.423					
	CGRELATI	6.748	25	.270					
	LOSTINVD	19.641	25	.786					
	BDCONSIT	5.197	25	.208					
Total	CORPGOV	610.000	28						
	CGRESULT	603.000	28						
	BOARDUPH	571.000	28						
	SGDETERM	196.000	28						
	CGRELATI	154.000	28						
	LOSTINVD	211.000	28						
	BDCONSIT	637.000	28						
Corrected Total	CORPGOV	6.429	27						
	CGRESULT	8.679	27						
	BOARDUPH	12.964	27						
	SGDETERM	10.857	27						
	CGRELATI	7.714	27						
	LOSTINVD	20.679	27						
	BDCONSIT	5.250	27						

a Computed using alpha = .05
b R Squared = .062 (Adjusted R Squared = -.013)
c R Squared = .063 (Adjusted R Squared = -.012)
d R Squared = .001 (Adjusted R Squared = -.079)
e R Squared = .027 (Adjusted R Squared = -.051)

f R Squared = .125 (Adjusted R Squared = .055)
g R Squared = .050 (Adjusted R Squared = -.026)
h R Squared = .010 (Adjusted R Squared = -.069)

Estimated Marginal Means

TYPBANK

Dependent Variable	TYPBANK	Mean	Std. Error	95% Confidence Interval Lower Bound	Upper Bound
CORPGOV	slightly strong	4.769	.136	4.489	5.050
	strong	4.500	.200	4.087	4.913
	very strong	4.556	.164	4.218	4.893
CGRESULT	slightly strong	4.615	.158	4.290	4.941
	strong	4.833	.233	4.354	5.313
	very strong	4.444	.190	4.053	4.836
BOARDUPH	slightly strong	4.462	.200	4.050	4.873
	strong	4.500	.294	3.895	5.105
	very strong	4.444	.240	3.950	4.939
SGDETERM	slightly strong	2.462	.180	2.090	2.833
	strong	2.667	.265	2.120	3.213
	very strong	2.667	.217	2.220	3.113
CGRELATI	slightly strong	2.154	.144	1.857	2.451
	strong	2.167	.212	1.730	2.603
	very strong	2.556	.173	2.199	2.912
LOSTINVD	slightly strong	2.769	.246	2.263	3.276
	strong	2.667	.362	1.921	3.412
	very strong	2.333	.295	1.725	2.942
BDCONSIT	slightly strong	4.769	.126	4.509	5.030
	strong	4.667	.186	4.283	5.050
	very strong	4.778	.152	4.465	5.091

APPENDIX 12: STATISTICS FOR TESTING HYPHOTHESIS 4

Between-Subjects Factors

		Value Label	N
TYPBANK	1.00	slightly strong	13
	2.00	strong	6
	3.00	very strong	9

Descriptive Statistics

	TYPBANK	Mean	Std. Deviation	N
SECURTYN	slightly strong	2.9231	.6405	13
	strong	2.6667	.5164	6
	very strong	2.7778	.6667	9
	Total	2.8214	.6118	28
STRONGRL	slightly strong	4.6923	.4804	13
	strong	4.3333	1.2111	6
	very strong	4.7778	.6667	9
	Total	4.6429	.7310	28
LIQUIDPR	slightly strong	2.6923	.6304	13
	strong	2.3333	.5164	6
	very strong	2.4444	.5270	9
	Total	2.5357	.5762	28
BUDGSYTM	slightly strong	4.6154	.5064	13
	strong	4.6667	.5164	6
	very strong	4.6667	.5000	9
	Total	4.6429	.4880	28
INVSTAPS	slightly strong	4.4615	.6602	13
	strong	4.5000	.5477	6
	very strong	4.3333	.7071	9
	Total	4.4286	.6341	28
DEPOSMNY	slightly strong	4.0769	1.4412	13
	strong	4.8333	.4082	6
	very strong	4.2222	.9718	9
	Total	4.2857	1.1501	28
FUNDRETN	slightly strong	3.9231	.7596	13
	strong	3.6667	.5164	6
	very strong	3.8889	1.1667	9
	Total	3.8571	.8483	28
POLICYCO	slightly strong	4.2308	1.0919	13
	strong	4.5000	.5477	6
	very strong	4.4444	.5270	9
	Total	4.3571	.8262	28

Multivariate Tests

Effect		Value	F	Hypothesis df	Error df	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Intercept	Pillai's Trace	.998	989.774	8.000	18.000	.000	.998	7918.190	1.000
	Wilks' Lambda	.002	989.774	8.000	18.000	.000	.998	7918.190	1.000
	Hotelling's Trace	439.899	989.774	8.000	18.000	.000	.998	7918.190	1.000

	Roy's Largest Root	439.899	989.774	8.000	18.000	.000	.998	7918.190	1.000
TYPBANK	Pillai's Trace	.313	.440	16.000	38.000	.960	.156	7.042	.225
	Wilks' Lambda	.704	.431	16.000	36.000	.963	.161	6.903	.218
	Hotelling's Trace	.396	.421	16.000	34.000	.966	.165	6.740	.209
	Roy's Largest Root	.323	.766	8.000	19.000	.636	.244	6.129	.254

a Computed using alpha = .05
b Exact statistic
c The statistic is an upper bound on F that yields a lower bound on the significance level.
d Design: Intercept+TYPBANK

Levene's Test of Equality of Error Variances

	F	df1	df2	Sig.
SECURTYN	.154	2	25	.858
STRONGRL	2.598	2	25	.094
LIQUIDPR	.324	2	25	.726
BUDGSYTM	.136	2	25	.873
INVSTAPS	.257	2	25	.775
DEPOSMNY	3.408	2	25	.049
FUNDRETN	.265	2	25	.769
POLICYCO	.511	2	25	.606

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+TYPBANK

Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Corrected Model	SECURTYN	.295	2	.148	.376	.690	.029	.752	.104
	STRONGRL	.770	2	.385	.705	.504	.053	1.410	.156
	LIQUIDPR	.639	2	.320	.960	.396	.071	1.920	.198
	BUDGSYTM	1.832E-02	2	9.158E-03	.036	.965	.003	.071	.055
	INVSTAPS	.126	2	6.319E-02	.147	.864	.012	.294	.070
	DEPOSMNY	2.402	2	1.201	.901	.419	.067	1.803	.188
	FUNDRETN	.283	2	.142	.185	.832	.015	.370	.076

	POLICYCO	.399	2	.199	.276	.761	.022	.553	.089
Intercept	SECURTYN	197.393	1	197.393	502.939	.000	.953	502.939	1.000
	STRONGRL	537.169	1	537.169	983.241	.000	.975	983.241	1.000
	LIQUIDPR	157.322	1	157.322	472.450	.000	.950	472.450	1.000
	BUDGSYTM	548.538	1	548.538	2139.296	.000	.988	2139.296	1.000
	INVSTAPS	498.317	1	498.317	1160.955	.000	.979	1160.955	1.000
	DEPOSMNY	486.218	1	486.218	364.898	.000	.936	364.898	1.000
	FUNDRETN	371.465	1	371.465	485.061	.000	.951	485.061	1.000
	POLICYCO	489.388	1	489.388	678.577	.000	.964	678.577	1.000
TYPBANK	SECURTYN	.295	2	.148	.376	.690	.029	.752	.104
	STRONGRL	.770	2	.385	.705	.504	.053	1.410	.156
	LIQUIDPR	.639	2	.320	.960	.396	.071	1.920	.198
	BUDGSYTM	1.832E-02	2	9.158E-03	.036	.965	.003	.071	.055
	INVSTAPS	.126	2	6.319E-02	.147	.864	.012	.294	.070
	DEPOSMNY	2.402	2	1.201	.901	.419	.067	1.803	.188
	FUNDRETN	.283	2	.142	.185	.832	.015	.370	.076
	POLICYCO	.399	2	.199	.276	.761	.022	.553	.089
Error	SECURTYN	9.812	25	.392					
	STRONGRL	13.658	25	.546					
	LIQUIDPR	8.325	25	.333					
	BUDGSYTM	6.410	25	.256					
	INVSTAPS	10.731	25	.429					
	DEPOSMNY	33.312	25	1.332					
	FUNDRETN	19.145	25	.766					
	POLICYCO	18.030	25	.721					
Total	SECURTYN	233.000	28						
	STRONGRL	618.000	28						
	LIQUIDPR	189.000	28						
	BUDGSYTM	610.000	28						
	INVSTAPS	560.000	28						
	DEPOSMNY	550.000	28						
	FUNDRETN	436.000	28						

	POLICYCO	550.000	28
Corrected Total	SECURTYN	10.107	27
	STRONGRL	14.429	27
	LIQUIDPR	8.964	27
	BUDGSYTM	6.429	27
	INVSTAPS	10.857	27
	DEPOSMNY	35.714	27
	FUNDRETN	19.429	27
	POLICYCO	18.429	27

a Computed using alpha = .05
b R Squared = .029 (Adjusted R Squared = -.048)
c R Squared = .053 (Adjusted R Squared = -.022)
d R Squared = .071 (Adjusted R Squared = -.003)
e R Squared = .003 (Adjusted R Squared = -.077)
f R Squared = .012 (Adjusted R Squared = -.067)
g R Squared = .067 (Adjusted R Squared = -.007)
h R Squared = .015 (Adjusted R Squared = -.064)
i R Squared = .022 (Adjusted R Squared = -.057)

Estimated Marginal Means

TYPBANK

Dependent Variable	TYPBANK	Mean	Std. Error	95% Confidence Interval Lower Bound	Upper Bound
SECURTYN	slightly strong	2.923	.174	2.565	3.281
	strong	2.667	.256	2.140	3.193
	very strong	2.778	.209	2.348	3.208
STRONGRL	slightly strong	4.692	.205	4.270	5.115
	strong	4.333	.302	3.712	4.955
	very strong	4.778	.246	4.270	5.285
LIQUIDPR	slightly strong	2.692	.160	2.363	3.022
	strong	2.333	.236	1.848	2.819
	very strong	2.444	.192	2.048	2.841
BUDGSYTM	slightly strong	4.615	.140	4.326	4.905
	strong	4.667	.207	4.241	5.092
	very strong	4.667	.169	4.319	5.014
INVSTAPS	slightly strong	4.462	.182	4.087	4.836
	strong	4.500	.267	3.949	5.051
	very strong	4.333	.218	3.884	4.783

DEPOSMNY	slightly strong	4.077	.320	3.418	4.736
	strong	4.833	.471	3.863	5.804
	very strong	4.222	.385	3.430	5.015
FUNDRETN	slightly strong	3.923	.243	3.423	4.423
	strong	3.667	.357	2.931	4.402
	very strong	3.889	.292	3.288	4.490
POLICYCO	slightly strong	4.231	.236	3.746	4.716
	strong	4.500	.347	3.786	5.214
	very strong	4.444	.283	3.861	5.027

APPENDIX 13: STATISTICS FOR TESTING HYPHOTHESIS 5

Between-Subjects Factors

		Value Label	N
TYPBANK	1.00	slightly strong	13
	2.00	strong	6
	3.00	very strong	9

Descriptive Statistics

	TYPBANK	Mean	Std. Deviation	N
COMOVEM	slightly strong	3.7692	1.1658	13
	strong	4.0000	1.2649	6
	very strong	4.5556	.5270	9
	Total	4.0714	1.0516	28
ECOPEIND	slightly strong	4.3846	.5064	13
	strong	4.8333	.4082	6
	very strong	4.5556	.5270	9
	Total	4.5357	.5079	28
EFFCTGDP	slightly strong	2.4615	.5189	13
	strong	2.0000	.0000	6
	very strong	2.2222	.4410	9
	Total	2.2857	.4600	28
FSANTIDO	slightly strong	4.3077	.4804	13
	strong	4.5000	.5477	6
	very strong	4.7778	.4410	9
	Total	4.5000	.5092	28
FDKLDISS	slightly strong	4.5385	.5189	13
	strong	4.6667	.5164	6
	very strong	4.6667	.5000	9
	Total	4.6071	.4973	28

Multivariate Tests

Effect		Value	F	Hypothesis df	Error df	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Intercept	Pillai's	.996	931.577	5.000	21.000	.000	.996	4657.883	1.000

	Trace								
	Wilks' Lambda	.004	931.577	5.000	21.000	.000	.996	4657.883	1.000
	Hotelling's Trace	221.804	931.577	5.000	21.000	.000	.996	4657.883	1.000
	Roy's Largest Root	221.804	931.577	5.000	21.000	.000	.996	4657.883	1.000
TYPBANK	Pillai's Trace	.428	1.198	10.000	44.000	.319	.214	11.976	.535
	Wilks' Lambda	.618	1.144	10.000	42.000	.354	.214	11.442	.508
	Hotelling's Trace	.545	1.091	10.000	40.000	.392	.214	10.907	.480
	Roy's Largest Root	.298	1.310	5.000	22.000	.296	.229	6.549	.374

a Computed using alpha = .050
b Exact statistic
c The statistic is an upper bound on F that yields a lower bound on the significance level.
d Design: Intercept+TYPBANK

Levene's Test of Equality of Error Variances

	F	df1	df2	Sig.
COMOVEM	1.323	2	25	.284
ECOPEIND	4.414	2	25	.023
EFFCTGDP	25.399	2	25	.000
FSANTIDO	1.238	2	25	.307
FDKLDISS	.618	2	25	.547

Tests the null hypothesis that the error variance of the dependent variable is equal across groups.
a Design: Intercept+TYPBANK

Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Eta Squared	Noncent. Parameter	Observed Power
Corrected Model	COMOVEM	3.327	2	1.664	1.568	.228	.111	3.135	.301
	ECOPEIND	.832	2	.416	1.695	.204	.119	3.391	.322
	EFFCTGDP	.928	2	.464	2.423	.109	.162	4.847	.442
	FSANTIDO	1.175	2	.588	2.522	.101	.168	5.044	.458
	FDKLDISS	.114	2	5.723E-02	.218	.806	.017	.436	.080
Intercept	COMOVEM	428.249	1	428.249	403.553	.000	.942	403.553	1.000
	ECOPEIND	534.843	1	534.843	2180.372	.000	.989	2180.372	1.000
	EFFCTGDP	125.945	1	125.945	657.836	.000	.963	657.836	1.000
	FSANTIDO	520.340	1	520.340	2233.300	.000	.989	2233.300	1.000
	FDKLDISS	542.504	1	542.504	2066.178	.000	.988	2066.178	1.000

TYPBANK	COMOVE M	3.327	2	1.664	1.568	.228	.111	3.135	.301
	ECOPEIN D	.832	2	.416	1.695	.204	.119	3.391	.322
	EFFCTGD P	.928	2	.464	2.423	.109	.162	4.847	.442
	FSANTID O	1.175	2	.588	2.522	.101	.168	5.044	.458
	FDKLDISS	.114	2	5.723E-02	.218	.806	.017	.436	.080
Error	COMOVE M	26.530	25	1.061					
	ECOPEIN D	6.132	25	.245					
	EFFCTGD P	4.786	25	.191					
	FSANTID O	5.825	25	.233					
	FDKLDISS	6.564	25	.263					
Total	COMOVE M	494.000	28						
	ECOPEIN D	583.000	28						
	EFFCTGD P	152.000	28						
	FSANTID O	574.000	28						
	FDKLDISS	601.000	28						
Corrected Total	COMOVE M	29.857	27						
	ECOPEIN D	6.964	27						
	EFFCTGD P	5.714	27						
	FSANTID O	7.000	27						
	FDKLDISS	6.679	27						

a Computed using alpha = .050
b R Squared = .111 (Adjusted R Squared = .040)
c R Squared = .119 (Adjusted R Squared = .049)
d R Squared = .162 (Adjusted R Squared = .095)
e R Squared = .168 (Adjusted R Squared = .101)
f R Squared = .017 (Adjusted R Squared = -.061)

Estimated Marginal Means

TYPBANK

Dependent Variable	TYPBANK	Mean	Std. Error	95% Confidence Interval Lower Bound	Upper Bound
COMOVE M	slightly strong	3.769	.286	3.181	4.358
	strong	4.000	.421	3.134	4.866

	very strong	4.556	.343	3.848	5.263
ECOPEIND	slightly strong	4.385	.137	4.102	4.668
	strong	4.833	.202	4.417	5.250
	very strong	4.556	.165	4.216	4.896
EFFCTGDP	slightly strong	2.462	.121	2.212	2.711
	strong	2.000	.179	1.632	2.368
	very strong	2.222	.146	1.922	2.523
FSANTIDO	slightly strong	4.308	.134	4.032	4.583
	strong	4.500	.197	4.094	4.906
	very strong	4.778	.161	4.446	5.109
FDKLDISS	slightly strong	4.538	.142	4.246	4.831
	strong	4.667	.209	4.236	5.098
	very strong	4.667	.171	4.315	5.018

APPENDIX 14 DATA FOR THE GROSS DOMESTIC PRODUCT (GDP) AND PERFORMANCE INDICES FOR BANKS FROM 1997 TO 2007							
YEAR	GDP N	CAPITAL N	ASSETS N	LIQUIDITY N	PROFIT N	DIVIDEND PAID N	TAX PAID N
	000,000	000,000	000,000	000,000	000,000	000,000	000,000
1997	4,189,250	98,236	512,005	329,399	23,741	7,267	5,696
1998	3,989,450	133,881	600,274	390,583	32,372	8,302	7,087
1999	4,679,212	175,019	709,465	587,154	41,378	12,218	8,963
2000	6,713,575	225,338	1,022,001	851,194	47,070	13,182	9,730
2001	6,895,198	364,259	1,414,754	1,036,133	68,850	16,369	15,397
2002	7,795,758	500,751	1,579,654	1,254,110	85,604	23,069	20,828
2003	9,913,518	637,208	1,780,014	1,463,837	107,309	27,393	26,172
2004	11,411,067	686,077	2,232,022	1,837,047	127,928	32,572	29,838
2005	14,610,882	950,552	2,819,832	2,243,873	94,851	35,747	23,984
2006	18,564,595	1,388,856	4,150,862	4,106,521	136,475	47,086	31,832
2007	23,280,715	2,225,394	7,430,906	5,677,513	266,165	37,464	56,096

SOURCES: 1.Central Bank of Nigeria Statistical Bulletin 2007 (Macro Data)
2. Nigerian Stock Exchange Fact Books 1997 -2007

APPENDIX 15. ANALYSIS OF GROWTH IN GROSS DOMESTIC PRODUCTS AND BANKS PERFORMANCE INDICES FROM 1998 TO 2007

COMPUTATION OF PERCENTAGE GROWTH CHANGE

YEAR	% CHANGE IN GDP	% CHANGE IN CAPITAL	% CHANGE IN ASSET	% CHANGE IN LIQUIDITY	% CHANGE IN PROFIT	% CHANGE IN DIV PD	% CHANGE IN TAX PD
	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE	GROWTH CHANGE
1998	(4.77%)	36%	17.23%	18.57%	36.35%	14.24%	24.42%
1999	17.29%	30.73%	18.19%	50.33%	27.82%	47.17%	26.47%
2000	43.48%	28.75%	44.05%	44.97%	13.76%	7.89%	8.55%
2001	2.71%	61.65%	38.43%	21.73%	46.27%	24.18%	58.24%
2002	13.06%	37.47%	11.66%	21.04%	24.33%	40.93%	35.27%
5YEARS AVERAGE 1998-2002	14.36%	38.92%	25.91%	31.33%	29.71%	26.88%	30.59%
2003	27.17%	27.25%	12.68%	16.72%	25.36%	18.74%	25.66%
2004	15.11%	7.67%	25.39%	25.50%	19.21%	18.91%	14.01%
2005	28.04%	38.54%	26.33%	22.15%	(25.86%)	9.75%	(19.62%)
2006	27.06%	46.11%	52.80%	83.01%	43.88%	31.72%	32.72%
2007	25.40%	60.23%	163.52%	38.26%	95.03%	(20.43%)	77.61%
5YEARS AVERAGE 2003-2007	24.56%	35.96%	56.14%	37.13%	31.53%	11.74%	26.08%
10YEARS AVERGE 1998 T0 2007	19.46%	37.44%	41.03%	34.23%	30.62%	19.31%	28.33%

Source: Researcher's Survey,2010

APPENDIX 16: MULTIPLE REGRESSION ANALYSIS OF GROSS DOMESTIC PRODUCT AND BANK PERFORMANCE INDICES 1998-2007

Regression

(A).Correlations

		GROSS DOMESTIC PRODUCT	CAPITAL	ASSET	LIQUIDITY	PROFIT BEFORE TAX	DIVIDEND PAID	TAX PAID
Pearson Correlation	GROSS DOMESTIC PRODUCT	1.000	.982	.963	.981	.919	.895	.932
	CAPITAL	.982	1.000	.994	.992	.959	.818	.958
	ASSET	.963	.994	1.000	.986	.965	.758	.952
	LIQUIDITY	.981	.992	.986	1.000	.938	.825	.934
	PROFIT BEFORE TAX	.919	.959	.965	.938	1.000	.744	.994
	DIVIDEND PAID	.895	.818	.758	.825	.744	1.000	.800
	TAX PAID	.932	.958	.952	.934	.994	.800	1.000
Sig. (1-tailed)	GROSS DOMESTIC PRODUCT	.	.000	.000	.000	.000	.000	.000
	CAPITAL	.000	.	.000	.000	.000	.002	.000
	ASSET	.000	.000	.	.000	.000	.006	.000
	LIQUIDITY	.000	.000	.000	.	.000	.002	.000
	PROFIT BEFORE TAX	.000	.000	.000	.000	.	.007	.000
	DIVIDEND PAID	.000	.002	.006	.002	.007	.	.003
	TAX PAID	.000	.000	.000	.000	.000	.003	.
N	GROSS DOMESTIC PRODUCT	10	10	10	10	10	10	10
	CAPITAL	10	10	10	10	10	10	10
	ASSET	10	10	10	10	10	10	10
	LIQUIDITY	10	10	10	10	10	10	10
	PROFIT BEFORE TAX	10	10	10	10	10	10	10
	DIVIDEND PAID	10	10	10	10	10	10	10
	TAX PAID	10	10	10	10	10	10	10

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	TAX PAID, DIVIDEND PAID, LIQUIDITY, CAPITAL, ASSET, PROFIT BEFORE TAX	.	Enter

a All requested variables entered.
b Dependent Variable: GROSS DOMESTIC PRODUCT

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998	.997	.990	632673.52

a Predictors: (Constant), TAX PAID, DIVIDEND PAID, LIQUIDITY, CAPITAL, ASSET, PROFIT BEFORE TAX
b Dependent Variable: GROSS DOMESTIC PRODUCT

(B) ANALYSIS OF VARIANCE (ANOVA)

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	355355752395608.000	6	59225958732601.300	147.963	.001
	Residual	1200827364125.978	3	400275788041.993		
	Total	356556579759734.000	9			

a Predictors: (Constant), TAX PAID, DIVIDEND PAID, LIQUIDITY, CAPITAL, ASSET, PROFIT BEFORE TAX
b Dependent Variable: GROSS DOMESTIC PRODUCT

(C) COEFFICIENTS

Coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
Model		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	897529.059	1019383.833		.880	.443		
	CAPITAL	12.855	13.595	1.333	.946	.414	.001	1770.206
	ASSET	1.171	3.266	.385	.358	.744	.001	1028.437
	LIQUIDITY	-4.337	3.037	-1.164	-1.428	.249	.002	592.164
	PROFIT	235.698	218.823	2.552	1.077	.360	.000	4998.480

BEFORE TAX							
DIVIDEND PAID	415.447	168.296	.847	2.469	.090	.010	104.770
TAX PAID	-1222.575	1023.068	-2.837	-1.195	.318	.000	5020.579

a Dependent Variable: GROSS DOMESTIC PRODUCT

Collinearity Diagnostics

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	CAPITAL	ASSET	LIQUIDITY	PROFIT BEFORE TAX	DIVIDEND PAID	TAX
1	1	6.542	1.000	.00	.00	.00	.00	.00	.00	.00
	2	.363	4.245	.07	.00	.00	.00	.00	.00	.00
	3	6.137E-02	10.325	.06	.00	.00	.00	.00	.02	.00
	4	3.048E-02	14.651	.17	.00	.00	.00	.00	.00	.00
	5	2.625E-03	49.920	.03	.03	.01	.13	.00	.00	.00
	6	5.121E-04	113.021	.63	.14	.41	.08	.00	.18	.00
	7	2.358E-05	526.753	.05	.83	.58	.79	1.00	.79.	99

a Dependent Variable: GROSS DOMESTIC PRODUCT

Residuals Statistics

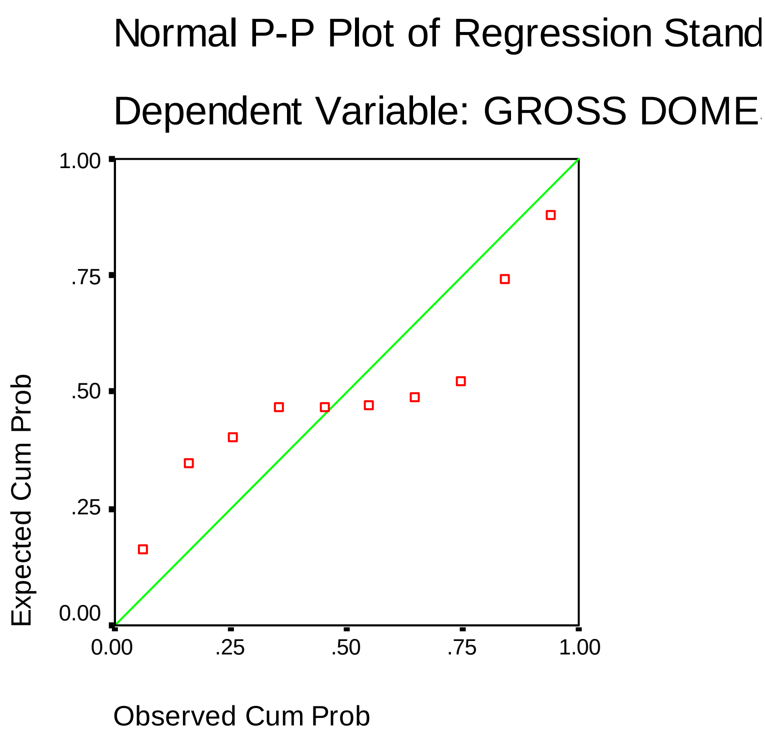
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	4041970.75	23297536.00	10785397.00	6283627.34	10
Std. Predicted Value	-1.073	1.991	.000	1.000	10
Standard Error of Predicted Value	395637.50	631835.63	520795.09	99808.29	10
Adjusted Predicted Value	-19939.20	29635384.00	10375618.21	9055009.32	10
Residual	- 622900.19	739522.94	4.19E-09	365274.23	10
Std. Residual	-.985	1.169	.000	.577	10
Stud. Residual	-1.412	1.511	-.002	1.020	10
Deleted Residual	- 6354670.00	14630821.00	409778.79	5557829.92	10
Stud. Deleted Residual	-1.989	2.526	.151	1.383	10
Mahal. Distance	2.619	8.076	5.400	2.313	10
Cook's Distance	.001	76.189	9.848	23.752	10

Centered Leverage Value	.291	.897	.600	.257	10

a Dependent Variable: GROSS DOMESTIC PRODUCT

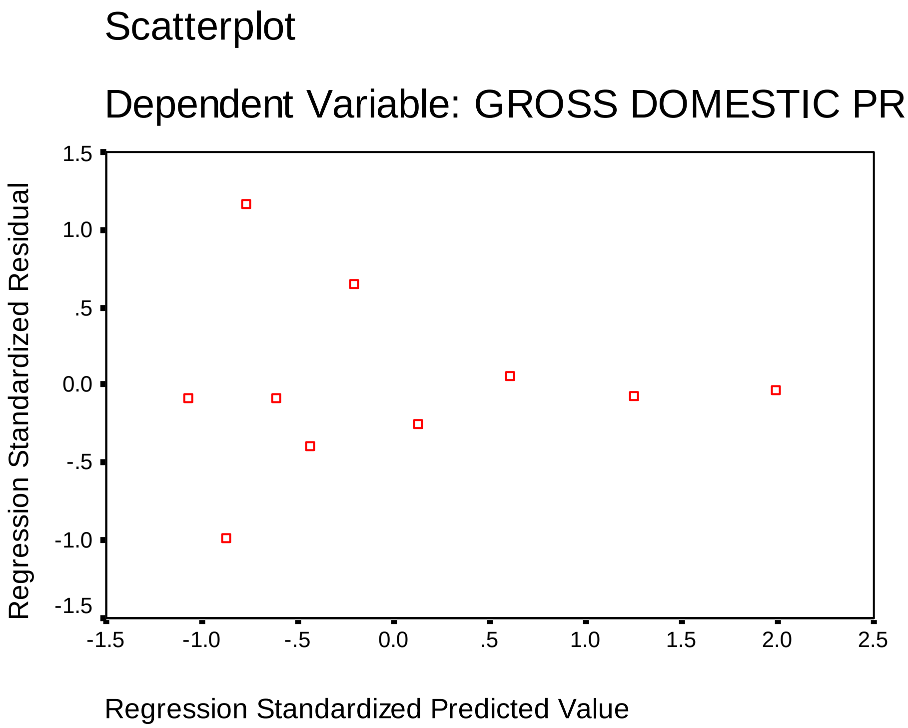
(D) NORMAL PLOT

Charts



Normal P-P Plot of Regression Standardized Residual
Dependent Variable: GROSS DOMESTIC PRODUCT

(E) SCATTERPLOT



Dependent Variable: GROSS DOMESTIC PRODUCT

APPENDIX 17 COVENANT UNIVERSITY,

COLLEGE OF BUSINESS AND SOCIAL SCIENCES,

DEPARTMENT OF ACCOUNTING,

KM 10, IDI-IROKO ROAD, OTA.

OGUN STATE.

CORPORATE QUESTIONNAIRE

This questionnaire is a PhD Accounting dissertation field work on ***FINANCIAL STRATEGY AS SUPPORT DETERMINANT FOR AVOIDANCE AND RESOLUTION OF DISTRESS IN THE BANKING INDUSTRY.*** This research work is aim at evaluating financial strategy and business stability as the last resort to phenomenal financial distress in the banking industry through institution of financial strategy in the industry.

Please note that information provided will be treated with strict confidentiality. Feel free to answer the questions to the best of your knowledge.

SECTION A: Contains questions on your personal data.

Tick the appropriate box as applicable to your organization.

[1] Our management system is:: A. Strategic Management [ ]

B. Tactical Management [ ]

C. Operational Management [ ]

[2] Period a staff can serve the organization without adverse behaviour/record:

:

A.0-5years [ ]

B.6-10years [ ]

C.Above 10 years [ ]

{3] The Planning Process in our organization can be Classified as:

A. Participatory [ ]

B.Top-Bottom [ ]

C.Bottom-Top [ ]

[4] Minimum Qualification for employment:

i. Into Junior staff: [SSCE] [OND] [HND/Bsc]

ii.Into Senior staff/Top Management; [HND/Bsc/Professional Qualification]

[Experience] [On the job training] [Promotion]

SECTION B: This section is divided into another five (5) sub-sections to ask questions and seek opinions relating to the assessment of financial strategy and performance growth in the banking industry.
The responses are five variables indicated thus:

[1] Strongly Agree (SA)
[2] Agree (A)
[3] Disagree (DA)
[4] Strongly Disagree (SDA)
[5] Undecided (UD)

Strongly Agree: Means firmly believe in the statement as exactly what is operating in your organization.
Agree: Means the statement correlates with the practice in your organization.
Disagree: Means the statement runs parallel to what operates in your organization.
Strongly Disagree: Means the statement is far from the reality in your organization.
Undecided: Means you are not quite sure if it is part of your system or not.

Please fill in or tick in the box provided as appropriate.

SECTION B-1
This section is aimed at evaluating the relationship between financial strategy and performance growth in the banking industry.

	SA	A	DA	SDA	UD
[1] Financial strategy provides a central purpose and direction to the activities of the organization, to the staff, and to the world which will positively Impact the performance of the organization.					
[2] Financial strategy does not correlate with the Business of banking, and hence should not be taken Into consideration in policy formulation.					
[3] Financial Strategy strongly supports performance Growth and its proper understanding and Implementation leads to sustainable business growth.					
[4] The financial distress and liquidation of banking Institutions in Nigerian economy is as a result of Non-availability of or poor implementation of Financial strategy.					
[5] Periodical review of performance, applicability of Responsibility accounting system and instant Remedial action support performance growth.					

SECTION B-2.This section is to evaluate the relationship between strategic planning and business close down/liquidation

	SA	A	DA	SDA	UD
[6] Financial distress and banking institutions Liquidation in Nigerian banking industry can not be attributed to poor strategic planning in those banks affected.					
[7] Poor tax planning and non-compliance with tax laws can lead to large cash outflow when paying the tax liability, and penal charge for non-compliance of tax laws and regulations.					
[8] Effective budgetary control in the bank enhances Profitability and liquidity growth					
[9] The type of leadership in a banking institution does not have any relationship with the performance and business growth.					
[10] Management training of staff professionally on the job focuses them on achieving the main objectives of the organization for wealth maximization of investors and value maximization of the company.					
[11] The lack of technical ability and managerial skills of the staff in performing their functions have been a Major cause of financial distress in the banking Industry.					
[12] Profitability as a strong variable for growth will have positive impact on capital growth, liquidity growth and performance growth, while lack of it will negate the objectives of the business for growth.					
[13] Even if the management of the liquidated banks in the banking industry in Nigeria had embarked on Corporate planning, the banks would still face the Problem of financial distress.					
[14] Capital growth is not a considerable factor for Business expansion, hence periodic profit after tax Can be fully appropriated as dividend to shareholders.					

SECTION B-3

This section is to evaluate the relationship between corporate governance and performance for business sustainability and stability in the banking industry.

	SA	A	DA	SDA	UD
[15] Good corporate governance is a determinant Factor for corporate existence to ensure increased Capital, liquidity, profitability and efficiency in Resources management, absence of which leads to the collapse of business in the organization.					
[16] There is no relationship between corporate governance and financial reporting as stakeholders in the business are not concerned about who leads and manage the organization.					
[17] Poor Corporate governance can result into downturn in business, distress and effectual liquidation of the business					
[18] The sustainable growth in the business of a banking institution can not be determined by the type of corporate governance in operation.					
[19] Boardroom upheavals and crisis in the banking Institutions have very strong negative impact on Customers patronage and expansion of business, and this can be attributed as one of the major causes of financial distress in the banking industry.					
[20] The shareholders lost of their investments and depositors lost of their deposits in the liquidated banks can not be attributed to poor corporate governance.					
[21] Consistence in the constitution of the Board of Directors and knowledge of the operating environment by the directors motivate the growth and expansion of business.					

SECTION B-4

This section is to evaluate the relationship between investment policy and management of assets and liabilities for performance sustainable growth in the banking industry.

	SA	A	DA	SDA	UD
[22] Large amount of non-performing loans and advances in the banking industry can be attributed to the unrealizable nature of the securities and not on the management of these advances.					
[23] There is a strong relationship between good Investment policy and effective management of Assets and liabilities as they enhance returns on investment and liquidity availability.					
[24] A facility approved for a bank customer can become unrealizable immediately after disbursement due to the appraisal system.					
[25] Growing assets more than liabilities do not create liquidity problem in the banking operations and can not lead to financial distress.					
[26] A good capital budgetary system is a necessity for liquidity management and timely replacement of productive assets.					
[27] The institution and implementation of good Investment appraisal system in the banking industry will help to determine when to shore up the capital Base in relation to business activities and its growth..					
[28] Using depositors money to buy assets for Operational activities is a bad investment policy, which can lead to financial distress					
[29] It is a good investment policy for a bank to buy adequate fixed assets for operational activities in order to enjoy tax benefits for reduction in tax liability and retention of liquid fund.					
[30] Compliance with Central Bank of Nigeria Monetary policy by banks on liquidity ratio can be a factor for resolving distress otherwise distress will continue to be a terminal disease in the banking industry in the absence of liquidity.					

SECTION B-5. This section is to evaluate the relationship between bank performance and Gross Domestic Product (GDP) to determine their co-movement.

	SA	A	DA	SDA	UD
[31]There is a co-movement and constant relationship between bank performance and Gross Domestic Product (GDP).					
[32] Any change in economic performance indices like inflation, rate of exchange, interest rate, disposable Income and purchasing power will affect the Performance of banks, and Gross Domestic Product (GDP)					
[33] The distress in the banking industry will not have effect on the Gross Domestic Product (GDP) as other sectors of the economy can still operate without the banking industry.					
[34] If financial strategy can serve as antidote to Financial distress in the banking industry and the Industry takes its position as the bedrock of the National economy, it will have positive effect on the Gross Domestic Product (GDP)					
[35]Financial distress is a killer disease in the banking industry, which if not checked will negatively affect Gross Domestic Product, and the position of Nigeria in the international community vis-à-vis. Globalization.					

We appreciate your setting aside time out of your busy schedule to complete this questionnaire, and may Almighty God support all your efforts to lift up your institution as one of the leaders in the industry. The attached sheet i.e page 7 is for your comments and knowledge contribution to support this work in other areas you feel will be of immense value.

KNOWLEDGE CONTRIBUTION PAGE

Please, kindly give your professional knowledge contribution here.

Thank you.

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APPENDIX 18: STRUCTURED PERSONAL INTERVIEW QUESTIONS

STRUCTURED PERSONAL INTERVIEW QUESTIONS
PhD ACCOUNTING FIELD WORK
BY ADEGBIE, FOLAJIMI FESTUS

NAME OF RESPONDENT:…………………………………………………….
ORGANISATION OF RESPONDENT:………………………………………….
POSITION IN ORGANIZATION:…………………………………………….
DATE AND PLACE OF INTERVIEW

[1] From your opinion, what do you think are the major causes of financial distress in the banking industry in Nigeria that it has become a constant feature?

[2] Can we say that the operating environment is unfriendly with CBN regulations, monetary policies and foreign exchange policy?

[3] What type of leadership is required in Nigerian volatile environment that will have effective control of management and influence business into the system?

[4] Liquidity is the petrol of the Nigerian banking industry, what can we do not to fall short of margin of safety?

[5] What can we do as operators of the system that will serve as antidote to the constant distress being experienced in the industry?